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CHARITY BEGINS AT HOME

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Annuity may begin to benefit China's retirees more



COVER STORY Many appreciate cultural differences between China and the United States, but no one should when it comes to charity. U.S. individual contributions make up 85 percent of charitable donations there. But in China, 75 percent of donations come from overseas. We need change. We—backpackers, middle-income makers and China's wealthy included—need to care more. And, in fact, we are trying. Backpackers are taking extra kilos to the countryside. Local entrepreneurs are thinking up new ways to help those in need. And intellectuals are calling for a better regulatory environment to engender more of this. From children used as peddlers in Beijing to poor countryside farmers, China's people are still indeed in need. As for those of us who can help—and we are many—we should.

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Making China Charitable

By ZHANG ZHIPING

Recently, some volunteers in China have begun to carry books and stationery with them when traveling in the country's remote areas. By adding an extra kilogram of these items to their backpacks, their trip is no longer a journey in the conventional sense, but one of contribution. Although they do not mean to act as charity activists, they are offering aid and spreading love while enjoying their holidays.

Although the material donations are just books and stationery, these backpackers are giving children in far flung areas what they so desperately need. And that is to learn more about the great wide world they live in, which may inspire the children's passion for life and even change their attitude toward living.

To do a kind deed is not a difficult job. As long as they have the will to do so, everyone can do something to help others. It makes more sense to make a contribution within one's own ability, than to complain about people's indifference and the fickleness of human relationships.

According to official statistics, China has 10 million registered enterprises, but those that have a record of charity donation amount to no more than 100,000. That means 99 percent of the enterprises fail to lend a helping hand to the needy. In addition, no entrepreneurs topping the 2006 list of China's richest released by British journalist Rupert Hoogewerf are found on the top of China's charity roll. Statistics issued by the China Charity Federation show that China's wealthy people, who possess 80 percent of the country's fortune, contribute less than 20 percent of the total charitable donations.

We have reasons to accuse enterprises of their indifference to social responsibility, but while doing so, we may have neglected a striking characteristic of the charity cause: Charity is not the privilege of millionaires, but society as a whole should get involved.

According to the China Charity Federation, every year 75 percent of the donations come from overseas, while 15 percent come from China's wealthy and 10 percent from ordinary people. However, in countries with well-developed charity systems, like the United States, big companies only contribute 10 percent, big funds 5 percent, while individual contributions make up 85 percent.

This fact shows that the gap in the charity cause between China and the United States does not result from the limited company donations alone. In order to improve the cause in China, charity organizations need to speed up and win more trust from the public.

There is a need for more relevant laws, regulations and system improvement, so as to create a favorable environment for the development of charities in China. This development is still in the embryonic stage. People's awareness of charity is yet to be developed, and a law governing charity activities needs to be drawn up. Existing laws and regulations are incapable of promoting the sound development of the charities and allied institutions.

Charity organizations should be disengaged from direct connection with the government, so that charity activities will be based on people's willingness to give, instead of on government demand. More importantly, how donations are used should be made more transparent.

Although a late starter, China is beginning to make inroads into developing an effective charity structure. When society begins to see giving to help others as an honorable action, attitudes will change. On the road to entrenching this it will be realized that charity really does begin at home.

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

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WFP/INX

New Approach

The United States is attempting a new method to tackle its widening trade imbalance with China. This is what **Carlos Gutierrez's** latest China visit, on November 13-17, has signaled.

This time round the U.S. secretary of commerce focused on "expansion of U.S. export opportunities," instead of pressing Beijing to concede on issues such as textile trade, intellectual property and renminbi's revaluation that dominated his previous three trips.

The change in tactical direction coincides with the proven failure of Washington's former hardline policy. According to U.S. statistics, the United States' September current-account deficit stood at \$64.3 billion, a 6.8 percent drop month on month. In contrast, its negative trade balance with China remained an uptrend, rising to \$22.96 billion from \$21.96 billion in August.

The future should be focused on exporting to China as a way of improving our balance," Gutierrez told reporters in Beijing.

Gutierrez's high-stakes delegation consisted of executives of 25 big firms, including companies already operating in China such as Lucent Technologies and McGraw-Hill, as well as newcomers like Westinghouse and

America's second largest insurance company Aon Group.

Encouragingly, China is also positive toward America's new approach. "It is not in its interests to have too high a trade surplus with the United States," said Chinese Minister of Commerce Bo Xilai.

In the nine months ending in September, U.S. exports to China totaled \$40.2 billion, making China the United States' fourth largest export market.

A recent study report from the U.S. Department of Commerce has listed the areas where U.S. companies have an edge over China's other suppliers. China's 2006 imports in these areas, including telecom equipment, semiconductors, water supply and sewage disposal technologies and equipment, auto parts and medical equipment, are estimated at \$49 billion.

Gutierrez revealed in Beijing that the U.S. Government will issue new rules in the next few months to clarify requirements for technology exports to China.

"The new rules will be an improvement because they will be more focused and more specific," Gutierrez told the media. "They provide predictability, and that should make things clearer for both parties."

Gutierrez also said that positive indications had been seen from the Democratic leaders of the newly elected U.S. Congress in so far as trade is concerned. "The initial signals and statements and comments that we have heard from Congress have been very positive from the standpoint of supporting trade," he said, adding it was important to be aware of any steps taken that signaled protectionism.

“I hope that by enhancing your understanding about this [Chinese] market place, you can get better access into this market.”

Chinese Vice Premier Wu Yi

“U.S. exports to China are already at record levels, but we're not satisfied—there's room to grow. China is a key export market for American businesses and workers, and we have a great group of American business leaders who are excited about expanding their exports.”

Carlos Gutierrez

PEOPLE & POINTS

“People have forgotten about this in a market where the dollar bears are winning out.”

Mike Moran, senior currency strategist at Standard Chartered Bank in New York, reacting to the dollar's fall after Chinese central banker Zhou Xiaochuan's comments that China will keep diversifying its foreign exchange reserves and reducing the share of U.S. assets it holds

“We are not expecting that Rumsfeld will appear in a court, but we are hoping investigators will begin looking into the case.”

Wolfgang Kaleck, a German lawyer, after civil rights groups filed a suit with German prosecutors on November 14 seeking war crimes charges against outgoing U.S. Defense Secretary Donald Rumsfeld for the alleged abuse of detainees at Abu Ghraib and Guantanamo prisons

“While complacency would be misplaced, our insights provide grounds for optimism about the prospects for returning forests.”

Pekka Kauppi, a scientist from the University of Helsinki, releases a study result showing the world is recovering from deforestation, with China showing the most improvement

“It's really in many ways about the expansion of access to financial services to all strata of people. There are hundreds and hundreds of millions of people who are very economically active and don't have basic bank services.”

Robert Annibale, Citigroup's Global Director for Microfinance, eyes the huge untapped market of the world's poorest people

“People have the right to have dogs, but people who don't have dogs also have rights.”

Bao Suixian, Deputy Director of the Public Security Management Bureau under the Chinese Ministry of Public Security, defends regulations aimed at limiting numbers of large and aggressive dogs in cities

OPINION

In Tune With the Masses

According to Xinhua News Agency, to make it easier for leading officials to learn about public complaints, demands have been made in Lanzhou, Gansu Province, for heads of all government departments to go online daily to “hear the voices of the people.” Following a series of similar programs where senior officials take part in TV and radio shows, the Internet option adds a new dimension to transparency.

Undoubtedly, the more channels there are to hear public voices, the better. However, why is it always necessary for senior government officials to be available to the masses? Where are the grassroots officials who should directly interact with local people? If these officials try to give an ear to locals, the many measures that involve senior officials are actually unnecessary.

Grassroots officials are not interested in the voice of the people and the current system imposes no punishment on those who turn a deaf ear to the public. In this situation, what the government should do is not to have higher-level leaders available in the electronic media, but to rather urge grassroots officials to actively listen to local people, as they are more in tune with what people need.

China Youth Daily

Exploiting Farmers Destroys Trust

To some extent, mobile medical teams in rural areas should have made it easier for farmers to get better health services. However, some improper practices are changing this well-intended service into something that hurts farmers’ interests.

By exaggerating the graveness of the diseases, doctors usually coax farmers into taking expensive medicine; sometimes, healthy farmers are convinced that they have chronic diseases, so have to buy a lot of medicine.

There are currently several striking problems in the present mobile service system. First, few medical institutions are really interested in helping the farmers to improve their health, but most are selling drugs for more profits. They seem reluctant to diagnose diseases or offer consultation. Second, in terms of the medicine offered

to farmers, most drugs are quite expensive while cheap ones are rarely seen. In fact, many common diseases can be cured with cheap drugs. Third, there are few return visits to patients. Different from other kinds of countryside-oriented services, medical care should focus on the spread of health knowledge and helps to cure farmers suffering from common diseases and endemic diseases. So return visits to patients are absolutely necessary to check whether the prescribed medicine is effective or not and whether new treatment is necessary.

With so many problems, the cash-thirsty medical teams are unlikely to become popular with farmers. It fails because the organizers care more about economic profits than welfare of farmers and, gradually, they are losing farmers’ trust in them.

People’s Daily

Food Safety Supervision Needs Upgrade

In China, red-yolk duck eggs are traditionally regarded as more nutritious than ordinary eggs, and are also more expensive. It has been exposed by CCTV, the national broadcaster, that some so-called red-yolk eggs in the market place are produced by feeding ducks industrial dye Sudan I, which can increase the risk of cancer.

The “red-yolk egg incident” comes in the wake of a series of food safety problems cropping up in recent years. Two years ago, Zhong Nanshan, a key man in China’s successful SARS fight in 2003, warned, “If food safety remains deteriorating, 50 years from now, many people could become sterile.” However, even today, there are still no measures in place for this urgent problem.

Currently, most food-processing businesses are small and privately run, which often pay little attention to food safety. People’s health cannot be put at the mercy of these businesses, but the problem is that market regulators alone cannot solve this problem. If they could, the “red-yolk egg incident” would not have been found only after media investigation.

In the face of the urgent food safety problem, diversified means are called for. While the government takes its due responsibility, there should be standard brand and code systems to prevent the inflow of fake and low-quality products into the market. If any accidents occur, regulators at the production and wholesale links must take accountability. More sample surveys should be carried out in the retail chain.

Yanzhao Metropolis Daily

Everyday Heroes

Earlier in November, the “China Pride 2006” poll revealed the winners of its “Persons of the Year” prize.

Those awarded were ordinary citizens who had risked their lives for the sake of national and others’ interests. Among them are firefighters who give their oxygen masks to victims, a woman who lost her own life in order to save fellow villagers in floods and an old man who saved 30 people with an old wooden ladder.

They are all common people, but all acted bravely in the time of danger. Their bravery, wisdom and love for humanity is a great example to all.

Different from other persons-of-the-year polls, China Pride 2006 no longer focuses on professional contributions, but people’s contribution as common citizens. When they offered crucial help to others, it was not because their professions demand them to act in this way, but only because those in trouble are their fellow countrymen.

The commendation of so many citizen heroes is surely to boost people’s sense of responsibility and obligation to society as common citizens, and to encourage them to make contributions outside of their families and working communities.

Workers’ Daily



GUARDERS: Frequent food safety incidents have given prominence to the government’s role in defending public health



HIGH FIVE

An Olympic Fuwa airliner is unveiled by Air China in Beijing on November 13. The company, a partner of the 2008 Beijing Olympic Games, is considering decorating two more aircraft with the five Olympic mascots to promote the Games. The mascots exhibit the characters of four of China's popular animals—the fish, Tibetan antelope, panda and swallow—and the Olympic flame (left).

Air China, which has a fleet of 206 planes, also decorated three aircraft with the “Beijing 2008” logo last year.

SOCIETY

IPR Protection as National Policy

Chinese Minister of Commerce Bo Xilai told the fifth Sino-U.S. IPR roundtable meeting in Beijing on November 14 that the Chinese Government takes protection of intellectual property rights (IPR) as a national strategy and will show no mercy in its fight against infringements. Visiting Secretary of Commerce Carlos Gutierrez attended the meeting.

According to Bo, in 2005, public security departments arrested 2,119 people involved in piracy, up 56 percent from the previous year; the total sum of money involved was 1.28 billion yuan, up 366 percent.

Fifty IPR service centers have been set up around China to hear public complaints about IPR infringements. More than 15,000 complaints have been handled by the centers so far.

High-Profile Audit

China's chief auditor has pledged to keep publicizing audit results from government departments, particularly those of the central government, in a continuous push to regulate and enhance the transparency of government spending.

"Fiscal revenue comes mainly from taxpayers. There should be an explanation to the taxpayers of how the money is spent," said Li Jinhua, Auditor General of the National Audit Office (NAO), who has become

a national icon for starting a crusade against irregularities in government spending, a matter of keen public concern.

The NAO has identified 14.6 billion yuan of funds misused by central government departments over the last two years.

Taxing Luxury

The Chinese Government is considering expanding the list of luxury items subject to a special "consumption tax", Wang Li, Deputy Director of the State Administration of Taxation (SAT) has announced.

Wang told the first annual forum on China's fiscal reform in Beijing that tax reform should ensure that personal income tax, property tax and consumption tax are adjusted in order to strengthen the role of taxation in reducing poverty.

The government imposed a consumption tax on disposable wooden chopsticks, wooden floor panels, yachts, luxury watches and oil based products on April 1. Official statistics show revenue amounted to 142.85 billion yuan, 5 percent of total tax revenue in the last fiscal year.



JOINT PUBLICATION Readers enjoy browsing at a promotion for the serial publications of Culture and Civilization of China, a high-profile project between Yale University Press and the China International Publishing Group

Magazine for Chinese Learning

The World of Chinese, China's only bilingual magazine for overseas Chinese language learners, starts publication in Beijing on November 12.

The Chinese-English bimonthly is co-produced by the Beijing Center for the Promotion of Chinese Language Teaching Overseas and the Commercial Press and will mainly be distributed overseas. The center estimates there are 30 million Chinese learners overseas.

The magazine has more than 30 columns, such as Popular New Words and Phrases, Enigmatic Chinese Characters, China Album and Lifestyle. Versions of the magazine in Japanese and Korean are in the planning stage.

Regulating Dogs

A senior official of the Ministry of Public Security told a press conference on November 14 that the police would be "strict, but civilized" in the latest campaign to regulate dog ownership in Beijing.

"We will try to reduce grudges held by residents, especially pet owners, which may result from inappropriate law enforcement," said Bao Suixian,

deputy head of the Public Security Management Bureau under the Ministry of Public Security.

A campaign was due to begin on November 16 to check if Beijing residents had a license for their dogs, and to ensure compliance with the "one-dog family" policy. Keeping of aggressive dogs or dogs taller than 35 centimeters is banned. Police say the policy is aimed at reducing the number of people being bitten by dogs, thereby lowering the risk of rabies.



RECYCLING COMPETITION A primary school in Zhejiang Province holds a creativity competition for students using waste materials



A GOOD REST The population of endangered golden monkeys in Baima Snow Mountain Nature Reserve of Yunnan Province has doubled over the past 24 years of preservation efforts

ECONOMICS

New Rules Against Money-Laundering

China's central bank has issued two regulations outlining the responsibilities of financial institutions in the fight against money laundering.

Financial institutions will now have to report all major and suspicious transactions to the central bank's anti-money laundering monitoring and analysis center.

All financial institutions are required to set up a system allowing them to identify their customers easily. The central bank also intends to set up a national database to keep records of all major and suspicious deals.

The two regulations complement an anti-money laundering law adopted by the national legislative body in October, which will take effect next year.

Inflation Stress

A report on currency policy in the third quarter released by China's central bank on November 14, says that inflationary pressures still exist despite lower consumer price index (CPI) in the first three quarters.

According to the report, rises in prices for both consumer goods and production materials are an imminent risk. It predicts consumer goods will be in oversupply in the near term.

Meanwhile, as China speeds up its pricing reform on energy products, prices of water, electricity, oil and gas will continue to

increase. Price hikes of crude oil and non-ferrous metals in the international market will also have an impact, says the report.

Another Double-digit Growth Year

Also according to the central bank, the country's economic growth would be above 10 percent this year. At the beginning of the year, the Chinese Government set the goal of 8 percent for the year's economic growth.

It said the economy grew 10.7 percent in the first three quarters and would continue strong momentum in the fourth quarter.

The central bank predicted growth may slow down in future due to governmental macro-control policies and influences from the global economy. However, the economy will continue to develop fast and steadily, as the driving force remains strong.

But it warned that the slowdown of fixed assets investment and bank loans in the third quarter was inherently unstable and China still suffered an imbalance in international payments.

It pledged to continue a prudent currency policy and put loan increase under reasonable control. Meanwhile, it would take comprehensive measures to speed up economic structural adjustment and carry out policies promoting domestic demand.

Subsidizing Bio-energy

China will grant subsidies to bio-energy-producing companies when international crude oil

prices stay below the oil alternative's production costs for a long period.

The move is part of a package of measures released on November 10 to boost the development of the bio-energy sector and reduce the country's dependency on oil.

The document from the Finance Ministry promises a subsidy for bio-energy production when international oil prices cannot sustain its sound development. The government also promises to support the planting of raw materials for biochemical products and bio-energy-related technologies. China has set the goal of bringing the proportion of renewable energy consumption up to 10 percent of the national total by 2010.

Tightening Stock Investment

The Chinese Government

has instructed large State-owned enterprises (SOEs) directly under its control to establish special departments for their stock investment.

A circular issued by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) said all SOEs under direct central government control are prohibited from stock dealing under personal accounts and should enhance management and supervision of high-risk investment in financial derivatives. The circular said SOE investors should closely monitor the market so as to strictly control high-risk and fluctuating investment.

SASAC Chairman Li Rongrong had said earlier SASAC would improve supervision of central SOE investment in high-risk products and establish a responsibility system for heavy economic losses.



TRADE EXTRAVAGANZA As a partner country, China organizes a delegation of 200 companies to showcase its technological and engineering prowess at the seven-day India International Trade Fair 2006 in New Delhi



TRAINING FOR DOHA China's gymnastic team is gearing up for the 15th Asian Games in December



SHINING STARDOM At the Hollywood premiere of the new epic drama Curse of the Golden Flower from Chinese movie director Zhang Yimou (right), stars in the movie Chow Yun-fat (left) and Gong Li created a media circus and won over adoring fans



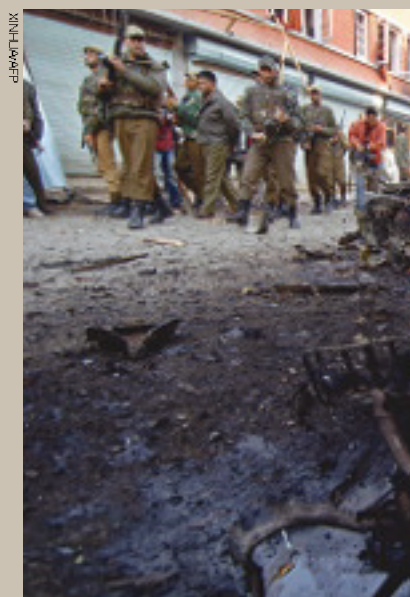
RESCUING WHALES
 Conservation workers examine dead pilot whales after a mass stranding at Ruakaka north of Auckland on November 10. A pod of 77 whales became stranded on the beach and rescuers were only able to re-float 40 and encourage them to return to sea



XINHUA/AGFAP



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QUEEN IN MOURNING
 Queen Elizabeth II leads tributes to Britain's war dead alongside political leaders during the Remembrance Sunday service in London on November 12. This is an annual event in Britain to honor those who have paid the ultimate sacrifice in the service of their country



REAL SANTA CLAUS
 A man dressed as Santa Claus reads a letter he has received from a child at the post office of Himmelpfort, or "heaven's gate," in eastern Germany on November 13. Children from all over Germany yearly send their lists of wishes to the address "Santa Claus, Christmas Post Office, 16798 Himmelpfort"



MORE BLOODSHED
 A Palestinian woman carries her injured baby son into a hospital on November 8. At least 13 Palestinians were killed when Israeli shells struck houses in the flashpoint northern Gaza Strip town of Beit Hanun



ARAFAT REMEMBERED
 A Palestinian security officer stands in the shade close to a poster of the late Palestinian leader Yasser Arafat at the Palestinian Authority headquarters in the West Bank city of Jenin on November 10, eve of the second anniversary of Arafat's death



SECURITY ON CAMPUS
 Iraqi students walk out of al-Mustansiriyah University in Baghdad on November 14. Iraqi Ministry of Higher Education and Scientific Research called for tightened security in universities after armed men in military-style uniforms kidnapped around 100 employees and visitors from a ministry building



MANGLED MESS
 Wreckage from a car bomb detonated by suspected militants near a heavily guarded Indian military base in Kashmir's summer capital Srinagar on November 14, which injured at least 13 people



ANTITERROR DRILL
 An actor portraying a concertgoer exposed to bio-toxins released by terrorists is run through a mobile detoxification unit during California's annual full-scale Homeland Security exercise "Golden Guardian" in San Bernardino on November 14

Exit Strategy

The United States wants to adjust its policy toward Iraq in a move prompted, in part, by the Republican “thumping” in the mid-term elections. But the prolonged stalemate in Iraq leaves it with few options

By WANG JINGLIE

A U.S.-backed Iraqi court sentenced former Iraqi President Saddam Hussein to death on November 5. Iraqi Prime Minister Nouri al-Maliki indicated that Saddam could be hanged by the end of the year.

President George W. Bush hailed the trial as “a milestone in the Iraqi people’s efforts to replace the rule of a tyrant with the rule of law.” He hoped to take advantage of the Saddam case once again, to canvass votes in the U.S. mid-term elections, only to be frustrated by the results. Defeated in the elections, Bush admitted that the Americans had clearly expressed their dissatisfaction over the war in Iraq through their votes.

In the face of widespread disapproval of the Iraq war among the general public as a result of mounting U.S. casualties and frequent scandals involving U.S. servicemen, Bush fired his defense secretary, Donald Rumsfeld.

Controversial verdict

Saddam’s death sentence has shaken not only Iraq but also the whole of the Arab world. While the Shiite Iraqis and the Iranian Government believe Saddam deserved the death sentence, many Iraqis, especially Sunnis, as well as some Arab leaders, do not want him to be executed.

Despite their dislike of Saddam’s regime, many leaders in the Arab world have opposed the death sentence, saying it will set a bad precedent. Egyptian President Hosni Mubarak has come out strongly against hanging Saddam, saying that would only make Iraq explode into more violence.

The *New York Times* has said that it is

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regrettable that the dominant Shiite and Kurdish politicians in the current Iraqi Government are also determined to use “Mr. Hussein’s trial and punishment to further their own political ends, as Prime Minister Nuri Kamal al-Maliki has continued to do in recent days.”

Saddam’s was a totalitarian regime, adopted—besides some personal factors—in keeping with Iraq’s stage of social development. His iron hand helped maintain unity in Iraq. Under his regime, the country wielded so much clout that Bush senior believed it had the fourth largest army in the world before the Gulf War.

Democracy is a gradual and time-consuming process. Given the current social development in the Middle East, moderate authoritarianism may be an option to ensure minimum social stability and development.

As the sole superpower in the world, the United States was able to crush Saddam’s

regime. However, it is not powerful enough to transform a civilization, as can be seen from the troubles in post-war Iraq. Despite the collapse of his regime and his three-year-long imprisonment, Saddam is still held as a symbol in Iraq.

Strategic nuances

It is certain that the United States will adjust its policy toward Iraq. The reason for this is more to do with Washington’s failure in Iraq than the Republicans’ defeat in the mid-term elections.

Three years ago, the United States invaded Iraq under the pretext that Iraq had weapons of mass destruction and was sponsoring terrorism. Not having been authorized by the United Nations, the war was neither legitimate nor just. In fact, the United States found no evidence that Iraq had weapons of mass destruction. Over the years, it has suffered numerous setbacks in Iraq. While failing to bring peace and stability for the Iraqis, it has mired itself in an “Iraq morass.”

Even the Bush administration accepted the Iraq-Viet Nam comparison. An opinion poll conducted a few weeks before the mid-term elections showed that two thirds of the Americans thought that the United States was losing the war in Iraq. Moreover, Iraqis’ resistance is unrelenting. The U.S. diplomatic office near Baghdad was mortared on November 11, a new testament to the unpopularity of the U.S. occupiers.

The number of U.S. soldiers killed in Iraq has exceeded the number of victims of the September 11 terrorist attacks. Iraqi casualties are even more shocking. In an article published by *The Lancet* journal online, the number of Iraqi deaths as of July this year was estimated at some 655,000. The United States is in an awkward situation. The Bush administration cannot bear the political con-



HIGH ALERT: The authorities tighten security in Baghdad after Saddam’s sentence is passed



SYMBOLIC GESTURE?: Saddam Hussein protests as he is sentenced to death by hanging by a Iraqi court on November 5

sequences of leaving Iraq, a shameful prospect that is comparable to the Viet Nam War. However, as the Iraqi Government struggles to stop the violence, U.S. troops will find it difficult to stay in Iraq for long.

In October, Bush summoned high-ranking officials including Vice President Dick Cheney and then Defense Secretary Rumsfeld to meet and discuss a possible change in the administration's policy toward Iraq. "Our goal in Iraq is clear and unchanging: Our goal is victory," Bush said in his weekly radio address on October 21. "What is changing are the tactics we use to achieve that goal."

Will the change of tactics take the United States out of the mess? Will it bring peace and stability to Iraq? The answer is, No.

Daunting challenges

When analyzing the state of affairs in Iraq shortly after the war, we suggested that the volatile Iraqi situation hinged on four major areas of conflict and one potential risk—the escalating national conflict between the United States and Iraq, the conflict between various factions in Iraq, the political and economic conflicts arising from reconstruction, the conflict between the United States and other major world powers on the Iraq issue and the risk of a split Iraq. The conflicts and the risk continue today in varying degrees. As a result, Iraq is unlikely to be rid of the violence and chaos.

There is no denying the fact that the United States is mired in a strategic morass in Iraq. While its casualty list keeps growing with each passing day, it has been unable to put the Iraqi situation under control, let alone

use Iraq as a model to promote democracy in the "Greater Middle East." The self-proclaimed "liberators" have triggered the indignation of the Iraqis for their slaughter of civilians, rape and killing of young women and abuse of the Quran. Mahmud al-Mashhadani, Speaker of the Iraqi Parliament, has called the U.S. occupation "butcher's work" and demanded that it should withdraw from Iraq. All these indicate that as the conflict between the United States and Iraq escalates, U.S. troops will become the target of even more attacks in the future.

Four major factions—the Sunnis, Shiites, Kurds and the remnants of Saddam's regime and the Baath Party—dominated post-war Iraq. However, during the ensuing reshuffle, the influence of Saddam and Baath supporters drastically declined, leaving Sunnis, Shiites and Kurds vying for a dominant position. The chaos in Iraq is largely the result of their constant fighting, especially sectarian violence. However, all the three forces are opposed to the U.S. occupation. In addition to these, Iraq has been infiltrated by anti-U.S. elements, including anti-U.S. forces with extreme national and religious sentiments and outfits with links to the Al Qaeda. Their influence on the situation in Iraq cannot be underestimated.

Iraqi reconstruction is plagued by a myriad of problems. Challenges exist on both political and economic fronts. Politically, the United States wants to set up a pro-U.S. regime in Iraq in a bid to export its values and ideology to the country. So far, the goal has not been fulfilled with the Iraqi Government battling to put the situa-

tion under control.

Economically, Iraq has long been in a shambles as a result of the sanctions suffered for more than a decade after the Gulf War. The war waged by the United States has dealt another blow to the country's economy. Many essential infrastructure and health care facilities have been destroyed in the bombings. The Iraqis, who are living a hard life in the ruins of war, are eager to restore peace and prosperity in their country at an early date. However, the lingering chaos has made reconstruction a trying endeavor.

Though not as prominent currently, the conflict between major powers over the Iraq issue has yet to be resolved. Before the war, the United States went out of its way to solicit the UN's support for its military action against Iraq. However, the world body did not give a green light as it failed to persuade other world powers. Unlike the Gulf War in 1991, the United States has been politically isolated in the Iraq war starting from 2003.

Moreover, its so-called alliance of the willing is only nominal as Britain is virtually the only country that has followed the U.S. footsteps in Iraq. Other major powers such as Russia, France and Germany refused to send any troops. Italy and Spain have started to pull out of Iraq. If U.S. efforts to reconstruct Iraq prove futile, the UN and other world powers will end up having to play a greater role.

Among the many conflicts and uncertainties haunting post-war Iraq, the most insidious is its partition. Iraq has a population of about 23 million, most of whom are followers of Islam. Shiites make up 53.5 percent of the Muslims while the rest are Sunnis. These Muslims, together with the Kurds, who account for about 21.6 percent of the total population, constitute the major political forces in Iraq. Saddam maintained the unity of the country with his high-handed rule. The new U.S.-backed Iraqi Government, however, features a composite structure under which power is divided among these different groups. The structure is more complex than in Lebanon, where power is divided among the various sects, and in Cyprus, where power is divided among the different races.

From a geopolitical perspective, the United States is unwilling to see a strong Iraq, still less a strong Iran. The domino effect that Iraq's partition will have on the Kurdish unrest in Iran serves U.S. geopolitical interests in the Middle East. In order to withdraw from Iraq, the United States is likely to split the country, a practice that colonists often resorted to in the past. However, a partitioned Iraq, or a virtually partitioned one, a loose political federation, that is, will become a potential detriment to political stability, making the Middle East a more complicated and volatile region. ■



THIRST FOR WATER: A child in New York tries to cool herself down at a fountain on August 1. Some attribute the extreme weather worldwide to the effect of global warming

would, in turn, usher in ever greater environmental disasters. Floods and droughts would make some 200 million people homeless, and it would cost all countries as much as \$6.98 trillion to deal with.

Stem suggests that global warming could shrink the global economy by 20 percent, but taking action now would cost just 1 percent of global gross domestic product.

The economist

calls for sustainable development and urged industrial countries to try to cut their consumption of non-renewable energy resources that emit large amounts of greenhouse gases when burnt, such as oil and coal, and at the same time increase input in environmental protection.

He also suggests the input of developed countries should be more than underdeveloped countries to make up for the environmental pollution caused by their carbon dioxide discharges over the years.

The Stern Report coincides with the UN conference on climate change held in Nairobi, Kenya, November 6-17. Thousands of experts and officials from all over the world gathered to discuss the effect of global climate change and the urgent countermeasures people need to take.

As the Kyoto Protocol, which aimed to limit greenhouse gas emissions, will expire in 2012, the conference also discussed how to further reduce emissions in the post-Kyoto era. But the consultations are still at a stage of technical discussion and exchanges of different standpoints and views.

Under the Kyoto Protocol, adopted in 1997, 35 industrial countries and the EU as a body are committed to reduce emissions by 5.2 percent compared to the 1990 level during the period 2008 to 2012.

Coping With Climate Change

The problem of climate change has global impacts, so that all countries, both developed and developing, need to make joint efforts to address it

By ZAN JIFANG

Global warming is not a fresh issue, but perhaps not everybody is very clear about the size of its impact on the Earth. A recent report released by the British Government shows that the aggravating greenhouse effect will gravely damage the world economy, bringing about a disaster equal to that of the two world wars or the economic recession of the 1930s.

The report was written by British economist Nicholas Stern, former chief economist of the World Bank, after a year of investigation and research, and is considered the most authoritative ever on this problem.

The 700-page study said that, if the governments of all countries did not take effective measures to restrain the greenhouse effect in the coming 10 years, then, in the next century, the global air temperature would increase by five degrees, which

But more and more evidence is emerging to show that a reduction of five percent is far from enough. Scientists estimate that a 60 to 80 percent cut in greenhouse gases by the middle of this century will be needed to stabilize the atmosphere.



COMMON CONCERN: EU Trade Commissioner Peter Mandelson addresses a seminar in one of Beijing's think tank on climate change on November 10. Mandelson and his Chinese counterpart agreed to build joint trade strategies on climate change

Up to 2004, the greenhouse gas emissions of major industrial countries were reduced by 3.3 percent on average, based on the 1990 level, but the discharges by the United States, the largest producer of greenhouse gases in the world, has risen by 15.8 percent. U.S. president George W. Bush refused to ratify the Kyoto Protocol in 2001, saying that it could damage U.S. economic development.

U.S. climate negotiators at the Nairobi conference said the American stand would not change within the term of President Bush.

Analysts are concerned that the American refusal will directly affect relevant international cooperation aimed to cut down greenhouse emissions to hold back the global warming tendency.

At the opening ceremony of the Nairobi conference, Kenyan Environment Minister Kivutha Kibwana called on all countries to take practical actions on climate change.

Global warming threatens the poorest people in the world, and it would particularly affect the process of Africa's poorest to realize their social development goals, he said.

More and more experts believed the developed countries have to agree on

establishing an adaptation fund to help developing countries to cope with climate change.

They hold that, as climate change is inevitable, how to adapt should be placed on the agenda to protect the future of the human race.

Chinese climate expert Gao Guangsheng said that to adapt to climate change is to take measures to reduce the disasters it brings, such as heightening dykes and improving drought-resistant crop types.

Su Wei, deputy head of the Chinese delegation to the Nairobi conference, said the effect of climate change was worldwide, and so coping with it needed joint efforts of both developed and developing countries.

Su said that the Chinese Government was willing to strengthen cooperation with African countries in dealing with the problems.

Developed countries should shoulder major responsibility for the negative effects of climate

change. They needed to take measures first to reduce greenhouse gas emissions, while having an obligation to help developing countries in their capability construction so they could participate properly in global cooperation for coping with climate change, said Su.

He added that China was one of the biggest sufferers of climate change and the country was actively engaged in relevant consultations and negotiations with other signatories to the UN Framework Convention on Climate Change on the principle of "common but differentiated responsibility."

Actually China has already carried out cooperation with the EU in addressing climate change. As a first step, Chinese Commerce Minister

Bo Xilai and EU Trade Commissioner Peter Mandelson recently agreed to set up a task force on "sustainable trade" to help build joint trade strategies on climate change, including conditions for trading environmental technologies between China and Europe.

Mandelson also attended a seminar in Beijing on trade and climate change on November 10. The seminar focused on the challenges of balancing China's continued economic growth with the imperative of addressing the environmental cost of rapid development domestically and globally.

He said that the developed world, emitting 80 percent of all the historic production of greenhouse gasses, had a special responsibility to lead the way.

At the China-EU Summit in Beijing in 2005, China and Europe issued a joint declaration on climate change. Mandelson noted that Europe stood ready to share expertise and experience with China on clean coal, renewable energy, energy efficiency and carbon sequestration.

China is a signatory to the Kyoto Protocol. As a developing country, it is not under any of its restrictions. But, it has also taken measures to reduce its greenhouse gas emission, cutting carbon dioxide emissions by 12 to 17 percent since 1996. ■

A colorful poster for an acrobatic performance. At the top, it says "ACROBATIC GAMES". The central image shows several acrobats in various poses, with a large red and white graphic of the Chinese characters "第一課" (First Lesson) and "TOP ACROBATIC CLASS" below it. Text on the poster includes: "China National Acrobatic Troupe brings its acrobatic class to Tiandi Theater. The troupe epitomizes Chinese acrobatics." "Venue: Tiandi Theater" and "Time: every night 19:15-20:30". There are also several descriptive boxes: "New! Creative brings acrobatic class to the stage", "Marvelous! Challenges your imagination", "Difficult! Perfect combination of speed, power and equilibrium", and "Fun and! Music, dancing and drama all in acrobatics". At the bottom, it provides the address: "10 Dongchamen Nandajie, Dongcheng District, Beijing (100 meters north of Pinyi Plaza)" and contact information: "Tel: 86-10-6416 9893 | Fax: 86-10-67803665".

Toward an Influential Partnership

Russian prime minister's visit consummates yearlong China-Russia gala

By YAN WEI

For China and Russia, 2006 is a year of special historic significance, as it marks the 10th anniversary of the establishment of the Sino-Russian strategic partnership of cooperation and the fifth anniversary of the signing of their landmark Treaty of Good Neighborliness and Friendly Cooperation. Apart from these commemorative occasions, however, Chinese see the success of the Year of Russia in China as raising the bilateral relationship to a historical high point.

"Unveiled by Russian President Vladimir Putin and closed by Russian Prime Minister Mikhail Fradkov [together with their Chinese counterparts], this short Year of Russia will have long-term implications for the relationship," said Chen Yurong, Director of the Division of East European, Russian and Central Asian Studies at the China Institute of International Studies.

As consensus between the two countries has expanded through the series of bilateral events, the two countries have cemented the strategic partnership and are poised to exert a greater influence on their region and the world at large, Chinese experts say.

Showcasing today's Russia

Fradkov was in Beijing November 9-10 for the 11th regular bilateral prime ministerial meeting with his counterpart Wen Jiabao; President Hu Jintao and top legislator Wu Bangguo also received him separately.

The two heads of government reached consensus on a wide range of issues including promoting cooperation in oil, natural gas and nuclear energy projects, increasing mutual investment, dealing with trade problems, pursuing medium- and long-term cooperation in science and technology, establishing culture centers in each other's country and collaborating on environmental protection.

In a joint press statement, they affirmed that their strategic partnership of cooperation



RUSSIA IN CHINA: Chinese Premier Wen Jiabao and his visiting Russian counterpart Mikhail Fradkov attend the Russian National Exhibition in Beijing on November 10

had developed rapidly with mutual trust reaching unprecedented heights; cooperation in various fields has benefited both nations and contributed to world peace and stability.

At the same time, the two sides expressed their resolve to further promote mutually beneficial cooperation in all fields and further upgrade the strategic partnership.

Chen Yurong believes relations between China and Russia are now stronger than they have ever been. She gave particular credit to the Year of Russia, saying it helped promote across-the-board bilateral cooperation in diverse fields, from culture and arts to trade and business.

She stressed that the Chinese people had an opportunity to familiarize themselves with the lifestyle and economy of contemporary Russia—far different from what they had learned from favorite Soviet novels in the past. In this sense, the event had enhanced mutual understanding.

According to the official newspaper *People's Daily*, some 200 exhibitions, concerts, trade fairs and other events covering areas such as politics, economy, culture, science and technology, education, military affairs and regional cooperation were

staged. "The Year of Russia has received widespread attention in the two countries and throughout the world, as it helped to consolidate the foundation of Sino-Russian friendship, build a new platform for pragmatic cooperation and substantiate the strategic partnership of cooperation," the newspaper said in an editorial.

In this special year, exchanges between China and Russia at various levels were extremely frequent, the newspaper noted. High-level exchanges hit a record high with the two countries' presidents meeting four times. Senior officials, such as top legislators and prime ministers, as well as many ministers and regional heads, also met on many occasions.

In addition, the Year of Russia triggered off "Russian-chic" in China. While giving the Chinese a better picture of Russia's time-honored history, brilliant culture and recent developments, it imbued the general public with the peaceful concept that China-Russia friendship will last forever, the newspaper said.

It also noted that, within the framework of the Year of Russia, the two countries held a number of events promoting pragmatic cooperation such as a Sino-Russian busi-

ness summit forum, a series of promotional activities on Russia's federal districts, the Russian National Exhibition and the China-Russia Investment Promotion Week. The bilateral trade volume totaled \$24.64 billion in the first nine months of this year, up 18.8 percent from the same period of last year, and should reach a record \$36 billion by the end of the year, *People's Daily* said.

Trading powers

Chen pointed out that economic and trade cooperation was high on the agenda of the visiting Russian premier. Apart from the trade promotion programs held during Fradkov's visit, 17 documents were signed to promote cooperation on trade, nuclear power, education and some other fields.

Under one of these, China will significantly increase the import of electricity from Russia. The agreement between the State Grid Corporation of China and Russia's electricity monopoly Unified Energy Systems commits the latter to supply up to 60 billion kilowatt-hours to China per year, with 4.3 billion kwh transferred in the initial stage, according to Russian media reports.

It was also announced that Russia's main oil and gas exploration company, Rosneft, would boost its exports of oil to China by up to 65 percent next year, with the aim of eventually becoming the country's largest foreign partner in the energy field. The Russian State-owned firm will increase exports of crude oil and oil products to China to 20 million tons next year, from an expected 12 million tons this year, announced its president, Sergey Bogdanchikov, traveling with Fradkov.

However, the two sides have not yet signed a contract, Bogdanchikov added.

He made the remarks at a news conference on November 10 after the inauguration of the company's representative office in Beijing, a move that he believes highlighted China's importance in its global expansion strategy.

In another development, Chinese and Russian firms reached agreements on 10 projects involving a total Chinese investment of \$1 billion in Russia during the Sino-Russian Investment Promotion Week and the Third China-Russia Conference on Investment Promotion held in Beijing on November 9.

Chen said bilateral economic and trade cooperation had deepened and broadened as the business communities and regions in the two countries continue to strengthen dia-

logue. Reviewing progress in bilateral relations over this year in an interview with *Beijing Review*, she underscored this positive trend, in addition to the soaring trade volume.

In retrospect, she also hailed Russia's Far East oil pipeline project. Construction of the project's first stage was kicked off last April, putting an end to years of wrangling between Russia, China and Japan. She said the pipeline, whose destination is set near the Chinese border, was bound to open up bright prospects for further energy cooperation between the two countries.

Shaping a new order

With relations between China and Russia making such great strides, experts are eager to explore their relevance in a wider context. Chen said the upgrading of the strategic partnership could exert a positive influence on the surrounding region. She believed it would enhance peace and economic development in Central Asia.

She noted that, as important members of the Shanghai Cooperation Organization, China and Russia played a crucial role in combating terrorism, separatism and extremism and safeguarding security in



JOIN HANDS, MOVE FORWARD: Under this catchphrase, a series of events have been staged during the Year of Russia in China, such as the Russian Culture Carnival held in Beijing in October

the region in collaboration with Central Asian countries. At the same time, the rapidly expanding economic cooperation between China and Russia would provide fresh impetus to economic development in Central Asia.

Chen further pointed out that the China-Russia partnership had become an increasingly important factor in shaping the new political order in the world. She said the two countries shared similar views on major international issues and visions on international relations. For example, both advocated a just and reasonable new political order in the international community, stood for safeguarding world peace and resolving crises by peaceful means, and respected the diversity of the world's civilizations and various modes of development.

Their ways of handling international affairs hinged on the maintenance of world peace and the establishment of a new international order, she said.

Xu Tao, a research fellow at the China Institutes of Contemporary International Relations, said that, ever since the disintegration of the Soviet Union, Central Asian nations had pursued a multilateral and balanced strategy in their cooperation with foreign countries and sought partnerships with various countries on the economic front. Though attractive to the countries in Central Asia, the "Greater Central Asia" strategy of the United States was not in their best interests as it aimed to tighten the exclusive American grip on the region, said Xu.

He observed that Russia's influence over the region was unparalleled. China's rapid economic development and state-controlled reforms during its transition to a market economy had also been widely recognized. China's positive role was essential to Central Asian countries while they were making painstaking efforts to rehabilitate their economies, Xu said. Moreover, China could serve as their gateway to the Pacific Rim, an advantage even more valued by these countries than specific cooperative projects with China. Given these advantages, Xu said, China and Russia should continue to enhance mutual trust and collaboration so as to jointly boost their influence.

Zheng Yu, a research fellow at the Institute of Russian, East European and Central Asian studies at the Chinese Academy of Social Sciences, pointed out that China-Russia strategic cooperation had undergone dramatic changes since the beginning of the 21st century, and especially since 2004. First of all, their cooperation had become more balanced globally, regionally and bilaterally. Unlike in the 1990s when the two countries focused on cooperation on global and regional issues, China and Russia were more pragmatic about bilateral strategic cooperation.

Also, the partnership had effectively changed the region's strategic landscape with its practical implications. In addition, the Year of Russia and the Year of China to be held next year in Russia were indicative of the fact that the two countries were intensifying efforts to bolster the social and cultural foundations for long-term strategic cooperation.

Chen said she wanted to see the good momentum exhibited in bilateral relations carried forward during the Year of China, on which she pinned high hopes. "It is expected to show to the Russians a multi-faceted China and dispel their misperceptions," she said. ■

Managing a One Trillion Dollar Forex Nest Egg

As China's foreign exchange (forex) reserves exceeded \$1 trillion in early November, much debate exists about the possible impacts of this ballooning wealth on China's economy and how to properly manage it. In two separate articles carried in People's Daily Online, **Zhong Wei**, a professor at the Financial Research Center in Beijing Normal University, and **Zhao Xijun**, Vice President of the School of Finance of Renmin University of China, contribute their ideas.

Just How Big Will China's Forex Reserves Get?

By ZHONG WEI

China's forex reserves exceeded \$100 billion for the first time at the end of 1996 and maintained steady growth in the following five years. From 2001 to present, the country's strong economic growth has promoted an increase of these reserves. In 2003, the annual increase amounted to \$136.8 billion. In 2004, the annual growth reached \$206.7 billion. This year will be the third consecutive year that forex reserves have grown by more than \$200 billion.

In accordance with the current trend, the total amount of forex reserves is expected to exceed \$1,500 billion in the second quarter of 2008 and \$2,000 billion by the end of 2010.

If the peak of reserve growth were foreseeable, then there would be no need to worry about the size and management of forex reserves. However, the plain fact is that it is still hard to determine how great China's forex reserves may be in the next three to five years.

As a developing country, China needs to set up a new management system for forex reserves. This framework should encompass some important considerations.

New management

The new management system should dynamically define the modest size of China's forex reserves, thus determining an appropriate level of surplus. There are at least three factors that have to be taken into consideration for this. The first is the benchmark size of reserves. Currently there are several

elements working in concert with it: forex reserves spent on imports over five-six months, forex reserves spent on payment of short-term external debt, forex reserves spent on medium- and long-term external debt, profits that have been made by foreign enterprises but have not been remitted outside China, the size of direct investment by Chinese enterprises in overseas markets and the size of investment in the securities market.

The second consideration is the size of safety of China's forex reserves, and the third is the dynamic size of slight growth in the balance of international payments.

Taking into account the rapid growth of China's GDP and its huge foreign trade volume, the modest size of reserves will also increase. A generally accepted dynamic growth rate would be 2-3 percent of GDP, which means that in the next three to five years, the amount of reserves would increase by between \$50 and \$60 billion each year. The remaining amount of forex reserves could be included in surplus reserves. If this were done, the current dynamic benchmark size of forex reserves would not exceed \$800 billion. The rest would be regarded as surplus reserves.

The new framework should also make use of surplus reserves in diversified channels from a strategic perspective. The focus is currently on five different areas: to obtain the bulk of strategic resources important for sustaining national economic development, particularly energy resources and ferrous and nonferrous metals; to increase investment in the technical renovation of state-



owned enterprises; to push forward the reform of state-owned financial institutions; to bring a group of high-caliber Chinese scientists from overseas and to make up for the shortage of social security funds.

Linking agencies to promote efficiency

The new management system should establish the framework for decision-making policies and day-to-day management institutions. Currently the People's Bank of China is responsible for the management of forex reserves in accordance with the law. The State Administration of Foreign Exchange (SAFE) is authorized to conduct day-to-day management. Obviously, such a simplistic mechanism will be insufficient for the management of such a huge amount of reserves.

In-depth discussions are still to be conducted on this issue. Considering the coordination of the benefits of multiple institu-

tions involved in defining the modest size of reserves and the amount of surplus reserves, China needs to establish a trans-department agency to formulate the policy on forex reserve management. The country also needs to manage modest reserves and surplus reserves separately. Since the modest size of reserves still functions, China could maintain its current management model and SAFE could

maintain its authority. As surplus reserves are not directly involved in the financial market and surplus investment is made only as part of specific strategies, another department needs to take the lead in operation.

Based on international experience, money supply is divided into two categories: high liquidity and average liquidi-

The massive forex reserves imply a strong external payment capacity. But the challenges to the country's ability to guard against financial crisis are a bigger concern



WU HUIXIA

ty. The People's Bank of China and Ministry of Finance are responsible for the management of these two categories, and usually the Ministry of Finance is in charge of policymaking. Either for modest reserves or surplus reserves, China needs to introduce market-oriented private sectors so as to improve the performance of management.

Investing in Foreign Share Options

By ZHAO XIJUN

China's forex reserves, ranked first globally, have played an immense role in increasing the nation's comprehensive strength and fueling its rapid economic growth. I believe that huge forex reserves can bring us opportunities in five aspects: first, upgrading China's payment capacity and balance of income and expenses to a great extent; second, greatly increasing the strength to stabilize the exchange rate of the renminbi; third, providing a solid basis for pushing forward the opening of China's capital account and the free convertibility of the renminbi; fourth, lifting the capacity of China's economy to resist risks, including that of resisting the risks from external impacts and fluctuations of domestic and overseas economies and, fifth, strengthening China's influence in the international monetary market.

Impacts on China's economy

China has gradually lost its independence with the implementation of its monetary policy as its own currency has increasingly been based on the U.S. dollar and the excessive growth in forex reserves has added both difficulties and complexity in the execution of the monetary policy. Moreover, costs

GROWTH CONCERN: Swelling foreign exchange reserves give a strong impetus to China's development, but their massive size is posing a challenge to the government's regulatory power

and difficulties have also multiplied for the operation of the monetary policy. In order to dispel the impact inflicted by increased forex reserves on money supply, the central bank has to withdraw cash from circulation to offset impacts on the monetary policy.

Besides, a marked increase in forex reserves restricts the use of other regulatory policy measures. When China's economy is slightly overheated at present, the central bank has adopted a common macro-regulatory measure for interest rate growth, but the government is extremely cautious with regard to an interest rate increase, which constitutes a major factor for the pressure on appreciation of the renminbi. So swelling forex reserves have also inhibited the central bank from raising the interest rate to regulate the economy.

New challenges are also manifested in the ensuing four aspects apart from the impacts to exert on the independence of China's monetary policy.

Excess liquidity lashing macro-economy. A marked increase in China's forex reserves gives rise to the problem relating to the excess liquidity of the renminbi. To date, it has become a major contradiction in the country's banking operation, a thorny issue for financial decision-making departments.

Aggravating the imbalance of the economic structure. The drastic increase in forex reserves comes against declining domestic demand and the inefficient impetus of consumption to economic growth. This is dearly paid for by exports of resources-turned primary products and at the high expense of both resources and environment.

Giving rise to China's financial risk and opportunity costs. Owing to a relatively big proportion of U.S. dollars in China's forex reserves, the devaluation of the dollar and a drop in the yield of U.S. bonds will reduce the value of China's forex reserve assets as well as their earnings. Meanwhile, large quantities of forex reserves will also bring fairly high opportunity costs.

Imposing a pressure on the appreciation of the renminbi. Increased forex reserves are surely accompanied with a steady rise in the appreciation of the native

currency on China's forex market, and superscale forex reserves will certainly add pressures to the appreciation of the renminbi. The marked rise in China's forex reserves indicates the supply of foreign currency exceeds the market demand.

Responsive measures

First, to further advance the reform of the management of forex reserves, the crux of the matter lies in how to open the capital account steadily and orderly. In compliance with its specific national conditions, China should first ease the control on outflow capital and proceed to relax the control on inflow capital. Moreover, on the tactics of introducing foreign direct investment, it is essential to readjust its policy on attracting capital from overseas so as to upgrade both quality and efficiency of the foreign direct investment, and reduce the amount of incoming overseas capital in a bid to alleviate the pressure on forex reserves.

Second, China should improve the situation with China's external trade by cutting huge trade surplus step by step and continuously optimize trade revenue and expenditure structure. Meanwhile, the exports of polluting and energy-inefficient products should be restricted to create more favorable

conditions for innovation and steer the optimization of the export mix.

Finally, China should optimize the use of reserve assets. At present, how to use forex reserves effectively and efficiently is a matter of urgency with a sophisticated service capability. Substantial discussions can be held on how to use forex reserves for the selective

purchase of material products, to increase imports with the aim of reducing trade surplus and easing pressure on exchange settlement, and to use part of the reserves to buy hi-tech products or strategic resources.

After the entry of foreign-funded firms into China, forex reserves can also be used to invest in their share options to beef up the regulation of some industries critical to the national economic security. Moreover, the use of forex reserves on the popularization of education, medical and social security networks, environmental protection service and other related public utilities can also be taken into account. What should be underscored particularly once again is high attention that should be attached to the legitimacy and possible risks in the use of forex reserves. ■

The control of forex reserves is not the eventual objective, and the settlement of the issue with increased forex reserves lies in the removal of payment imbalance

UNDERPINNING CHARITY WORK

The Chinese Government and people from all walks of life are endeavoring to pave the way for the progress of charity in China

By TANG YUANKAI

Wastepaper can provide the wrapping for a lot of good works. In east China's Hangzhou City, three entrepreneurs co-founded a "paper for love" project to hire laid-off workers and people with intellectual disabilities to recycle wastepaper, or sell it and use the money to pay for the family service expenses of widowed elders.

One of the three entrepreneurs, Chen Boqin, head of the city's first car dry cleaning service company, had read a newspaper report about several pupils who had paid the education expenses of economically disadvantaged students by collecting wastepaper and bottles. "I could do that, too," Chen thought.

Now Chen's "paper for love" project encompasses over 400 government offices, enterprises and institutions that all turn over their wastepaper for re-use.

Though the project has progressed well, the three founders have begun to have problems: with the increasing volume of business and funds, rumors have spread that "they are seeking private profits under the name of charity". The three men turned to some government bodies for help, but got no response.

The fact is that there are no specific laws and regulations in China as yet covering charity organizations and their activities.

This lack of legal support bothers those people full of love and care, and they have reached a

consensus that creation of the proper legal environment is vital to the charity cause.

Charity law lags

"The lack of appropriate policies and regulations has been a bottleneck for China's charity development," said Wang Keying, a member of the Chinese People's Political Consultative Conference (CPPCC).

The existing regulations in China can be counted on two hands, including the Red Cross Law of the People's Republic of China (1993) and the Public Welfare Donations Law (1999). No specific regulations exist to cover functional distribution among government sectors.

"Even the existing charitable regulations are too general, lacking the operational details; what's more, these regulations aren't really compatible with other laws in China," said Xu Huozhou, Deputy Director of the Red Cross Society of Guangdong Province.

Legislative proposals to foster a smoother charitable donation channel have been put forward since last year by many influential figures including Wang Keying, Shi Yongxin, the head abbot of Shaolin Temple and Yang Lan, a well-known TV presenter and studio manager.

"One bottleneck is the function of the charity organizations and foundations," said Gu Shengzu, Vice-President of the All-China Federation of Industry & Commerce. By the end of 2005, the number of registered unofficial organizations had reached 315,000, including 168,000 social groups and 999 foundations. Of these, there are only a few hundred non-profit charity organizations, handling a mere 10 percent of public donations.



CHARITY FOR STUDENTS: The Shanghai Charity Foundation provides charity study aid for 80 poor students from minority ethnic groups

Currently, China's legal charity organizations have to register with either some government departments or organs authorized by the government. "Government still plays the leading role in charity, and this hampers the establishment and admittance of charitable organizations, and also results in unclear functional distribution and low efficiency," said Yang Lan.

"It's more difficult for private foundations to register with government bodies, which discourages the role of private wealth," said newspaper columnist Ji Gang. "Public and private foundations have to have a minimum of 8 million yuan or 2 million yuan in capital to register. This threshold is too high and is not good for the development of foundations in China."

But experts remain optimistic, insisting, "everything will be fine". They know the Chinese Government has been trying to forge a favorable environment and a long-term and efficient system for charity development. In September 2004, China made the development of charity an important part of the social security system; in March 2005, the Report on the Work of the Government said it would support charity, which marked the first appearance of the charity concept in such an important report. At the end of 2005, the Ministry of Civil Affairs issued a Guide to China's Charity Development (2006-10).

A promotional law for this purpose is listed in the legislation agenda of the Standing Committee of the National People's Congress. The Civil Affairs Ministry is working with the State Council and consulting a wide range of experts and scholars on its drafting.

Tax-free treatment

No more than 100,000 out of China's registered 10 million enterprises have made donations. "That means about 99 percent of the companies never make any donations," said Xu Yongguang, Vice-Chairman of the China Charity Federation, during a forum of the China Charity Conference last year. He also revealed statistics showing that private donations amounted to a mere 1.7 billion yuan, with a per capita donation of a little more than 1 yuan.

But, personally, many entrepreneurs and individuals are positive about making donations. "We carve out our careers, and we know the importance of giving back to society," is a common refrain. The reason for the high enthusiasm but low rate of donations, according to Chen Xinnian, an expert with the National Development and Reform Commission, lies with system problems, such as tax.

"It's not that the enterprises or individuals don't want to make donations, but that the results may not be good for them," com-

plained Wang Jianlin, Board Chairman and President of the Dalian Wanda Group, a winner in the China Charity Awards of 2005. He said the existing business income tax provisional regulations allowed tax exemption if the donation is within 3 percent of the annual income tax; the individual income tax regulations allow exemptions on individual donations within 30 percent of the tax payment. "The more you donate, the more tax you pay," complained Wang Jianlin.

If charity is an important component of the social welfare undertaking, then realistically it should be tax-free. Though recent government policy allows companies to make donations to certain charity organizations that enjoy tax-free status, these organizations number no more than 20.

"Many donors didn't apply for tax-free treatment because they don't know such a policy exists or they give up applying due to the complex procedures," said Wang Zhenyao, Director of the Disaster Relief Department of the Ministry of Civil Affairs. He once donated 500 yuan to the China Charity Federation and could reclaim the 50 yuan tax under the regulations. But he had to go through 10 different bureaucratic procedures spread over two months to get the money back. "The average person may take longer than me. Our charity donation system does have big defects," said Wang.

But he said the upcoming promotional law for China's charity development would simplify the application of tax-free status.

However, some experts worry that companies may use charity donations as a means of dodging tax.

"The current corporate and personal income tax regulations don't encourage them to make charitable donations, but the upcoming promotional law will bring some changes," said Li Liguang, Vice Minister of the Ministry of Civil Affairs.

More transparency

Li Shufu, Chairman of Geely Automobile Holding Co., a privately-owned carmaker in China occupying fifth place on the 2006 China Philanthropy List with a total donation of 233 million yuan, faced some headaches

after he decided to provide financial aid for 1,000 poor students to help them finish college. "The aid money is not a problem. The problem is we have to pay more to find the eligible 1,000 students. We once got duped, as some of the 'poor kids' receiving our aid turned out to be the children of local officials."

For sure this is the last thing that philanthropists want to see. But such things do occur from time to time; as a result, more than half of the philanthropists on the 2006 China Philanthropy List said they didn't trust certain charity organizations and would rather carry out their own direct philanthropy.

"Two things have been overlooked here: philanthropist's rights and the credit of charity organizations. To some degree, they are the two sticking points that have hampered the current development of charity in China," said Chen Xiaozhu, a Master of Sociology in Beijing.

Philanthropist's rights include the right to know and the right to intervene. "The donor is entitled to know where the money is going and how it is used, as well as the right of make suggestions on how to handle the donation," she said. But unfortunately, the accounts of many charity organizations are not made public. "This will lead to

poor functioning in finance, and, with an imperfect supervision system, corruption easily occurs. Finally, public distrust is bred."

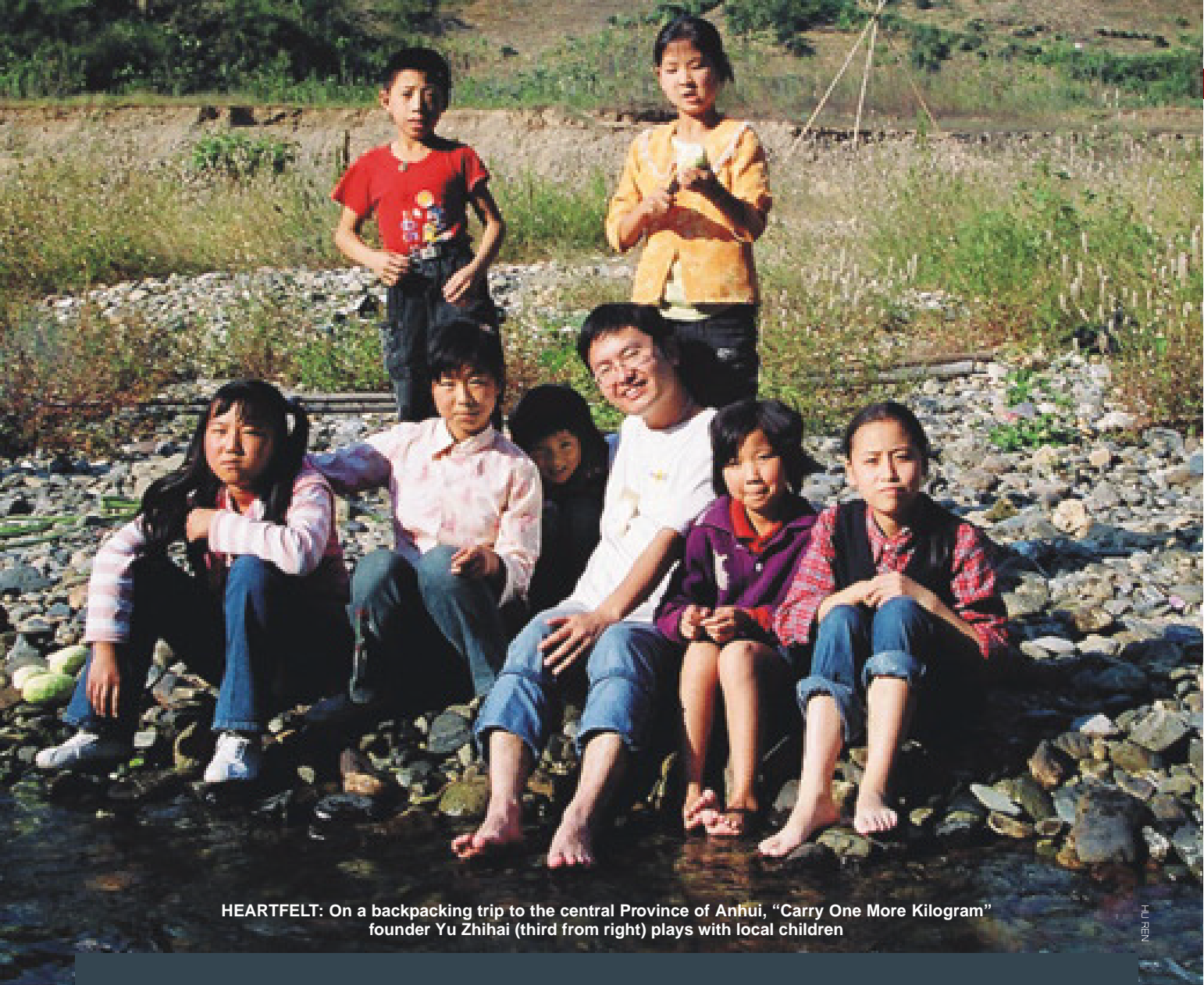
The company where Chen's husband Fan Wei works has, for years, given donations to the China Foundation For Poverty Alleviation. "We choose the China Foundation For Poverty Alleviation because the organization has a definite object and standard practice," said Fan.

"We need to run the foundation like running a company, thus we can utilize funds more efficiently," said He Daofeng, the foundation's deputy director.

"A company aims at generating maximum profits at minimum cost, while a foundation has to collect money and make full use of it. We design projects to raise money and spend money, where to spend and how to spend it. At the same time, each project will undergo independent accounting, so that the donor will have a clear picture of how the money is being used." ■



GENEROUS CARMAKER: Li Shufu, Chairman of Geely Automobile Holding Co., a privately run carmaker in China, occupies fifth place on the 2006 China Philanthropy List with a total donation of 233 million yuan



HEARTFELT: On a backpacking trip to the central Province of Anhui, "Carry One More Kilogram" founder Yu Zhihai (third from right) plays with local children

HU BEN

ONE MAN'S ODYSSEY

A young philanthropist packs up his bag and sets out to make a difference

By LI LI

Yu Zhihai had a dream. Sitting in his office at a Beijing-based Internet company, the business development executive became increasingly frustrated with his life. He wanted to make a difference by helping others and the lure of gilt edged corporate living no longer had any appeal. In August 2006 Yu took the plunge and

resigned, deciding to follow his heart and the will to set his dream in motion. He never looked back.

The 33-year-old had soon set up "Carry One More Kilogram", an organization to introduce backpackers to load up their packs with gifts they could drop off with needy rural dwellers, on their holiday or weekend treks around China. This is social welfare at its most innovative, and something never before attempted in China.

Apart from a part-time job as a branding consultant at a Shenzhen-based IT company to pay the bills, Yu now devotes all his spare time to his philanthropic pursuits. He is well aware that he needs help and admits that by being a one-man show he can only stretch himself so far.

"On my own I can only help hundreds of people at most," said Yu. "But the success of a well functioning operation can benefit tens of thousands of people."

Inspired beginnings

The inspiration for “Carry One More Kilogram” came from a chat with a friend in April 2004. The friend, an avid backpacker like Yu himself, related a traveling experience of a trip to the remote countryside of China’s southwestern Yunnan Province. Yu’s friend was moved by the commitment of three voluntary teachers in rural primary schools he passed on his hike. The young women, all from Yunnan’s capital city of Kunming, are working in an isolated village called Yubeng, above 3,000 meters in altitude, where mountains cut off the transportation to the outside world and even block cell phone reception.

“Next time you travel to that area, please take some gifts for the teachers and students, like candies or books,” he told Yu.

Yu, who was then a voluntary teacher for the children of migrant workers in a Beijing-based non-governmental organization, wanted to do more to help those in need.

In August 2004, Yu created a website for “Carry One More Kilogram”, www.1kg.cn. At the end of 2005, he registered “Carry One More Kilogram” as a patented brand and expects to register the venture as a company by the end of this year.

Public welfare tourism

“At first, I thought what people in the backward regions most needed is donations, whether it is money or material goods,” said Yu. “But it was not long before I found the root of their poverty is a lack of ideas and information.”

Yu targets children as the focus group since he regards children as the most profound beneficiaries of such a cause. He said children have the strongest desire to learn new things and they are the hope for future.

On the “Carry One More Kilogram” website, he designed a three-step approach for backpackers: First, giving away 1 kg of gifts for underprivileged children met along the way; second, talking and playing with the children; and third, sharing travelogues with fellow backpackers via the website’s forum.

“I think the face-to-face communication of city travelers with country children can broaden their minds, nurture their confidence and imagination. However primitive the living environment around them, they are entitled to know that their life has other possibilities and that they can choose another lifestyle,” said Yu.

Yu said his own childhood was not happy. He was taken away from his village and his parents when he was three and grew up in Guangzhou, the business hub 200 km from his hometown. Living in a strange environment without parental care, Yu said the sense of loneliness made him sensitive and introverted throughout his childhood.

Although he got a degree in information engineering from a renowned university in Guangzhou and enjoyed a 10-year career in the telecom and Internet industry, he believes his solitary experience of growing up has led to his unusual career path.

“The CEO of Apple Computer, Steve Jobs, said in a speech that the dots of your life will somehow connect in your future,” Yu said. “In retrospect, I think that makes sense.”

Yu Zhihai’s rewarding traveling experiences reasserted his belief in his charitable cause. Last November, he traveled to Yubeng in Yunnan and spent four days with students from a local primary school. Four months later, he received a surprise birthday gift mailed by one of the school’s teachers. It is a composition titled *My Dreams* written by a boy in the class. A sentence reads, “My dream is to live in Guangzhou one day so that I can play with brother Yu during the weekends.” Yu said he was touched beyond words.

The gift is an example of why he places so much emphasis on communication between travelers and children. Smile, he tells backpackers on his website, it will always bring you closer to children.

This has been shared by many of Carry One More Kilogram volunteers. Bo Luo, a 27-year-old business development executive of an IT company in Beijing, calls herself a senior volunteer as her involvement started during the organization’s infancy in 2004. She said the passion of the backpackers and the children’s sense of novelty hold the key to the success of Yu’s idea.

“Children are always attracted to new things and a one-hour talk can leave an imprint for life,” said the former high school teacher. “This initiative suits travelers’ since it is impossible for most of them to stay and become voluntary teachers out there.”

Social entrepreneur

“First of all, my cause is great fun for I am doing something nobody has tried before. Innovation is my motivation,” said Yu sitting among a group of enthusiastic students from Renmin University of China in Beijing, all prospective volunteers eager to listen to Yu’s organization blueprint.

Instead of registering “Carry One More Kilogram” as an NGO, Yu is determined to make it a new breed of social enterprise in China. In the past three months, reading material on social entrepreneurship and social innovation and visiting social enterprises created by likeminded people throughout China have become part of Yu’s life.

“It is a pity that there is not much material on social entrepreneurship in Chinese and the books exerting the most influence are *Banker to the Poor* and *How to Change the World*,” said Yu, producing the Chinese version of *How to Change the World* from

his backpack. The book written by David Bornstein is about creative individuals who question the status quo, exploit new opportunities, refuse to give up and try to remake the world for the better.

“The essential difference between a regular enterprise and a social enterprise is that the former pursues the maximization of economic profit while the latter pursues the maximization of social welfare,” said Yu. Compared with traditional NGOs paying scant attention to business operation, social enterprises see profit making as one of their two core tasks.

Yu believes that the traditional NGO approach isn’t suitable for “Carry One More Kilogram.” First, he has learned that to register an NGO with the government is not easy in China. According to the current NGO administration regulations, an NGO needs to find a governmental agency as its supervisor, which Yu sees as a bottleneck requirement for “Carry One More Kilogram.” Second, Yu finds the NGOs’ method of raising money through enlisting financial support from international organizations incompatible with his organization. For any project, investors need to see exactly what effect their money has had, said Yu. “Our effect is to make people understand the concept of change.”

The business-management-savvy young man is confident about the survival of his charity as a social entrepreneur in a country where rapid development of NGOs is considered a new phenomenon. Yu said future profitable channels for his prospective company is to plan and implement marketing strategies for partnership companies in the name of “Carry One More Kilogram.” He plans to start from companies whose products are directly linked with backpacking. Yu is also discussing a business deal with Shanghai Airlines, which has agreed to send material on Yu’s social welfare organization to its customers.

“To make a profit is not easy [for ‘Carry One More Kilogram’], but I bet you that my business model will take off in less than two years.”

He now has over 300 avid volunteers, all fascinated by the new concept of pursuing social welfare. Zhang Xiaoyang, 23, is attracted to “Carry One More Kilogram” by the three key concepts she summarized: social enterprise, innovation and public service. She said she used to participate in old-fashioned charities by donating money and clothing back in college, but gradually lost interest as she didn’t know who received the donations.

“What we are doing now is planting a seed of hope into the hearts of children,” said Zhang. It’s proof enough that charity sees the immediate need, not the cause. ■



FIRSTHAND LEADERSHIP: Junior Achievement China founding Chairman Paul C. Chou interacts with students at East China University of Politics and Law during a lecture on leadership

COURTESY OF JA CHINA

FOR JUNIOR'S ACHIEVEMENT

Inspiring young people to succeed can be a lifelong calling

By LI LI

Born in Taiwan but emigrating to the United States when he was a baby, Paul C. Chou grew up fantasizing over images of Beijing. Chou's parents, who were both born in Beijing but went to Taiwan in 1949, told their six children about the good old days of eating Tanghulu, a traditional snack of crystalline sugar-coated haws on a stick, watching Peking Opera, visiting temple fairs during Spring Festival and shopping at the century-old Dong'an Market in the heart of the city. After the family settled in the United States for a decade, the parents still diligently taught the children to speak Chinese in the belief that the family would some day move back to Beijing.

Whereas most members of the four-generation immigrant family are living on the U.S. East Coast, the influence of the long-remembered family education remains vivid in the minds of Chou and his siblings. "I am very Chinese," said the 56-year-old successful scientist-turned-entrepreneur who started as an engineer in the Bell Systems Laboratory and later founded two software companies in the United States.

Growing up with dreams of China, doing something for his ancient homeland was always Chou's passion. Yet he did not discover the perfect combination of his dream and passion until 1993 when he was admitted to the board of Junior Achievement (JA) International. In the same year, Chou founded the Chinese branch of this non-profit organization (NPO) devoted to offering free busi-

ness and financial education to young people. After a long preparatory stage of localizing the curriculums and pilot projects in different universities, JA China has been operating actively in Beijing, Shanghai and Hong Kong since 2001. With over 4,000 volunteers, it expects to offer courses for 100,000 students this year.

Over the years, Chou's commitment to entrepreneurial training has been widely echoed in China, a country thirsting for an abundant supply of quality managers to match its headlong economic growth.

Seeing others succeed

Heading JA in China is now Chou's full-time job without pay. He spends roughly half his time in the United States, where he also engages in fundraising for JA China.

His wife and daughter have also worked as volunteers for JA China.

Asked how much time he devotes to involvement in the JA China programs, he replies that he hasn't calculated and only counts how many more years he can continue to contribute to the work. "Seeing other people succeed makes me happy and I am passionate about making an impact on our society," he says.

"For 5,000 years of Chinese history, doing charity has been boiled down to one thing: to provide food on the table by creating jobs for people," said Chou in standard and old-fashioned Mandarin. The essence of traditional Chinese culture matches perfectly with JA's mission in creating a healthy economic cycle.

In Chou's words: "We teach young people to balance the individual search for well-being with care for the community and society." JA China teaches a business and economics-based curriculum for students from kindergarten to university. In a regular course for university students called Global Business Ethics, students are educated on the need to consider their responsibilities to the community and global society as a whole in making business decisions.

The most oft-heard comment from participants of JA courses in China is: "I wish I could have learnt it earlier."

Jin Jun is a third-year student from the School of International Business of a Beijing university. Introduced by students of higher grades, she got to know about JA courses and has taken two campus programs, Career Go and Global Business Ethics. According to her, she has learned so much from these that she could not have got from any textbook or in the conventional classroom. Her vision in career planning and achieving success in multinational companies has been broadened by the personal experiences, failures or successes, of the JA volunteers. She would like to pass on her experience as a JA volunteer once she landed a job at a leading company.

Besides translating core curriculum designed by JA International in the United States, JA China also designs programs particularly targeted at China's needs. Since 2003, JA has started a project of organizing business volunteers to teach JA programs in schools for children of migrant workers in Beijing and Shanghai. China now has 120 million rural workers in its cities and these are mostly working without any form of social security and have to pay a higher entrance fee when sending their children to local public schools.

The migrant schools on the outskirts of big cities have a very basic curriculum and no resources to provide knowledge on economics and business from a global perspective. "Every student, whether with advantages or disadvantages, has the potential to

create wealth for society," argues Chou. "I believe migrant school students might some day create the biggest company in China."

In visualizing ways to expand JA's operation in China, Chou is determined to design an efficient business model using the knowledge it teaches. While partnering schools to reach out to students, JA's programs largely rely on resources from the business world for corporate sponsorship and volunteers as teachers and lecturers.

Chou said he was lucky to make a lot of friends in his business career by exercising his leadership. Among these are Boeing China President David Wang, CEO of Microsoft Greater China Timothy Chen and Cummins East Asia President John Watkins, who allot some of their valuable time to volunteer as lecturers or competition judges for JA China. Meanwhile, their companies have become major corporate sponsors and important sources of volunteers. But, for Chou, their most important contribution is their endorsement, and the credibility and enhanced reputation they give to JA.

So far, no Chinese company has become a corporate sponsor. This, Chou believes, is partly because JA is a fairly new thing to home-grown managers and corporate social responsibility is also a relatively new concept to corporate China. However, he believes Chinese companies do have the heart to do something for society and JA China will take a more aggressive approach in raising public awareness on corporate social responsibility and encouraging Chinese business to support youth education.

Besides changes in the social environment, he believes the Chinese Government could help the growth of non-profit organizations by passing a law to govern non-governmental organizations. According to current laws and regulations, international NPOs, like

JA China, are not allowed to publicly raise money in China.

Another big challenge faced by JA China is human capital: How to attract the best talents to staff JA and make them believe in a viable career in a NPO.

Meeting the gap

In a country that underwent three decades as a centrally planned economy, from the 1950s to the late 1970s, entrepreneurship is a concept that was long played down if not totally forsaken. In reawakening youth to the tradition of entrepreneurship, JA China devotes itself to teaching participants of all ages what it takes to become entrepreneurs and then giving something back to society. The three key qualities that JA China is targeting are character, creativity and leadership.

"I find that Chinese students are just as creative as their peers in the United States and Europe," said Chou. Echoing this assertion is the tremendous performance of one team sent by JA China to the 2006 Global Business Challenge, a youth competition involving simulated management of an imaginary company, which placed second out of 556 teams from 24 countries.

However, Chou still thinks China lags far behind Western countries in providing a tailored curriculum on entrepreneurship for students. Chou said that, when he was young, there were hundreds of NPOs in the United States providing students with training in leadership and entrepreneurship. He thinks he benefited a lot from such courses. In the landscape of China, JA is still a pioneering NPO in this regard.

"It is my dream to see 50 years from now when a Chinese company call a young employee to set up a company with \$100 million right away, she or he can stand up and just say 'yes, sir,'" said Chou. ■

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No Quickstep for Hip Hop in China

Since the hip hop seed was brought to China a couple of years ago, the plant has grown a little, but is still weak and also shows some unique Chinese characteristics

By JING XIAOLEI

Last month in Shanghai, the American rap icon Jay-Z's debut concert in China was canceled by the Ministry of Culture, who claimed this was in the interests of protecting local hip hop fans from his nasty lyrics.

But interestingly, under the hip hop category of Baidu Tieba, an Internet forum provided by Baidu.com, China's largest search engine company, there are many postings such as, "I am looking for a hip hop boyfriend, please leave your QQ [a domestic instant messenger] number here if you are interested", or "I want to make friends with hip hoppers who are between 18 and 25".

Sadder is this posting: "I just broke up with my girlfriend because she likes those who dress in hip hop style, which I'm not quite into," said Li Xiaoyang, 19, a Beijing subway worker and hip hop DJ amateur.

It seems that these days, hip hop is a growing trend among Chinese youth. Take a walk in downtown Beijing, you'll come across "Eminems" from time to time: urban kids wearing loose trousers, colorful T-shirts, headbands, necklaces and metal chains with monstrous images. In malls, video shops, bars and radio stations, songs by groups like Eminem and Black Eyed Peas are frequently played. In every university, one can easily find a hip hop dancing class and the national college hip hop dancing competition has been held for the past four years.

But don't jump to the hasty conclusion that this means the hip hop craze has put down deep roots here in China. In fact, "most of the self-proclaimed hip hop fans are superficial," insists music critic Hu Pan. "I don't mean that they are fake fans, but what they like about hip hop music is all surface. They

don't get down to the core of the music."

"Hip hop is considered a fashion and cool stuff here, so some young guys just use it as a tool to hook up with girls," said Hao Yu, an indie hip hop MC (microphone controller) from Heilongjiang Province. The media dubbed him as China's first post graduate majoring in hip hop music when he entered the China Academy of Arts in 2005.

The term hip hop refers both to a musical and cultural genre or movement developing predominantly among urban African



DANCE TO THE MUSIC: A middle school student performs hip hop dancing in Xining, Qinghai Province



Americans. There are four fundamental elements in hip hop: hip hop dance, graffiti, DJ and MC.

Chinese hip hop is a relatively new phenomenon. In the 1990s, the genre first spread to Japan, the Republic of Korea, Taiwan and Hong Kong. In 1997, the Korean hip hop group H.O.T hit China like a bomb and hip hop began to gain huge popularity among mainland teenagers. The success of the megastar Eminem further enhanced the trend.

Bleak local scene

Currently, foreigners dominate hip hop music in China and the domestic scene seems rather bleak.

"I've talked to people in the record business and many music fans; few are interested in hip hop music, much less than those who like rock music and electronic music," said Hu Pan.

Domestic hip hop music forms a very weak element in the overall pop and rock music industry. There are no more than 30 domestic hip hop singers and bands who have released albums, including those in Taiwan and Hong Kong, according to a list compiled by editors of the www.yhood.net, a Chinese website dedicated to street culture.

Correspondingly, the domestic hip hop record business is thin and weak. Domestic hip hop records are seldom found on the CD shelves of small audio and video shops. According to Hao Yu, mainland hip hop records totaled no more than 20 over the past 10 years.

Dragon Tongue, the first and only mainland hip hop music label at present, has only produced one album since its establishment at the start of 2004.

Finding the local audience is as difficult as locating domestic hip hop CDs. "I listen to



HIP HOP CRAZE: In this file photo, the S.O.L., winner of the first Beijing Hip Hop Dancing Competition, performs during the contest's finale

WANG JIN/FOTOBANK

some hip hop music, mostly by foreign singers and I barely know anything about domestic hip hop music," said Chen Jizheng, 29, a female employee at an advertising company in Beijing. The same situation is encountered by Lou Min, who hosts a hip hop program on the Hangzhou-based online radio station EBC 5, which is claimed to be the mainland's best net radio. "I wanted to do a program featuring domestic hip hop music, but later I gave up the plan. To be honest, domestic hip hop music doesn't sound genuine to me," he said.

It seems that the China's earth is not yet a good breeding ground for this type of music. "Hip hop music in China is encountering big obstacles, and this comes from a complicated combination of historical and cultural differences," said the critic Hu Pan. He explained: "We have different ideology, social values and way of life from our counterparts across the ocean. Many Chinese hip hoppers just touch the surface of this music, in form and content. You can't expect it to be blossoming in China before we have a profound understanding of this music."

The core of hip hop, according to Hao Yu, lies in its social criticism. The music originated from the grassroots among black men in America using the music to vent their anger and discontent. "Of the four elements of the hip hop culture in China, hip hop dancing develops much faster than hip hop music, graffiti or DJ, partly because dancing has little political content," he explained.

Another reason for the slow development of Chinese hip hop is that the Chinese language itself is not as suitable for rapping as English, as the two languages bare no resemblance to each other in pronunciation. What's more, hip hop music has the strong sense of rhythm and beat, which is not a feature in Chinese music traditions.

"But the language difference is not so important, as what makes good hip hop music is not rhythm or beat, but what the singer is trying to express as well as their attitude," said Hu Pan.

Vulgar language concern

Domestic hip hop, compared with overseas counterparts, is relatively clean and healthy. "The mainland's few well-known hip hop groups, including MCMB, Yin Tsang, Kungfu and Dragon Tongue, though distinctive from each other, do have something in common: no vulgar language; no content related to sex, drugs or violence; and no mockery of state politics or even mainstream culture," said Qi Youyi, music editor at the Beijing-based publication Lifestyle.

The healthy hip hop scene in the mainland owes much to the strict examination and approval rules by the Ministry of Culture. In



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2004, the State banned albums by a Taiwan rapper MC HotDog because the lyrics contained many nasty words. This past July, a new mainland hip hop group Wujisheng fell victim to public criticism as their hit song Can U Feel Me involves a few curse words.

"I don't think it's a big deal to have cursing in hip hop songs. But I do hate it when some Chinese rappers pretend to be angry and use such words without any real emotional involvement. That's ridiculous," said Chen Jizheng, the advertising company employee.

Hip hop music is critical, aggressive, sometimes even radical in nature, which to some extent goes against Chinese cultural traditions, in which people are taught to be humble and tolerant. Thus, the nasty language in songs is considered to be something to be condemned.

"Regarding the issue of vulgar language, we Chinese need some time," said rap singer Hao Yu. "We are already becoming more tolerant about this. Five years back, such bad language would in no way be allowed in songs, but today, more people begin to say, 'well, I think I'm ok with that'."

Hao thinks vulgar language is not necessary to hip hop music. People don't curse for the sake of cursing, but only when they feel the need, a totally impulsive reaction. So there should be no need to make a fuss about this issue.

What's unique about the domestic hip hop music is that it includes so many dialects. China has 56 nationalities and over 80 dialects. Most of the hip hop music is

sung in the official language, Mandarin. The rest is rapped out in dialects, mostly in Cantonese, Shanghai dialect and the one that prevails in northeast China. All the listeners can understand the northeast China dialect rapping, which is similar to Mandarin; but people in north China can barely understand the south China dialects.

"I have no idea what this song is all about—I can't even recognize a single word!" a netizen complained in a posting to which a Shanghai-dialect rap song was attached on the Internet forum of www.yhood.net.

Rapping in dialect gives a special flavor to a song, and even makes it sound more interesting and humorous. "It makes the domestic hip hop scene more diversified," said Hao Yu. "But the bad thing about this is that some hip hoppers are getting exclusive; they form different factions and think their dialect is the best language for rapping."

Active on Internet

"In fact, China's best hip hoppers are convened on the Internet," said Qi Youyi, the Lifestyle music editor, "There, in the free world created by the Internet, a group of talented youngsters are writing songs more critically and incisively."

On www.rappy.com, the best website of China's underground hip hop, numerous rap artists and their creative songs can be found. Most of the singers are amateurs, some of whom may have compiled only one or two songs; however, a few have created more than 10 songs.

With looser restrictions and control over the Internet, these rap songs cover a wide range of subjects, including sensitive topics like prostitution, corrupt police and promoting national patriotism by mocking Japan.

Hao Yu is one of the underground rappers. He made his first hit, The College Common Room, in 2004 when he was still a student at Harbin Engineering University in Heilongjiang Province.

"I recorded this song in my dorm with a computer and an 8-yuan mike on a day when all my roomies were out for classes, leaving me a quiet environment for recording," he recalls.

Just like Hao Yu, most of the poorly equipped rappers produce their songs with the help of a computer, cheap mikes and some sound-editing software, such as CoolEdit, Fruitloops and Hip Hop eJay. After the songs are produced, they upload them onto the Internet for sharing.

The College Common Room, which made an attack on several improper behaviors in common rooms, such as eating loudly and talking on a mobile phone without concern for other people, became so popular on the Internet that it generated a saying that, "one doesn't qualify as a college student without hearing The College Common Room".

The Internet buzz about the hit gave Hao Yu a chance to enter the record business. "One day, Universal Records came to me and offered a contract. But we didn't agree on the terms as I didn't want to be restricted by the contract," recalls Hao Yu.

Another emerging underground rapper is Pu Tao from Dalian, Liaoning Province, who wrote a rap song Overseas Scum during his two-year overseas study in New Zealand to criticize the degenerate behavior of Chinese students in New Zealand, such as gambling, cohabitation and joining criminal gangs. This song won unexpected acclaim on the Internet.

Pu Tao wrote a series of rap songs after he returned home in 2004. His music features fast rapping, sharp and intense lyrics (each of his songs contains more than a thousand words with a few songs reaching two thousand). At the end of 2005, he released his debut album under a Beijing cultural communication company.

"Good and bad songs are intermingled on the Internet," said Hao Yu, "because hip hop is not like rock music; the threshold is much lower. Anyone who has a computer and a mike can be a MC, no matter whether he's talented or not."

"In China, a country that's been serious for such a long time, hip hop music provides our young people with a new entertainment channel and I think this is the biggest contribution it makes," said music editor Qi Youyi. ■



RAP ON INTERNET: Hao Yu, an indie rap MC from Heilongjiang Province, produces his songs using a computer and a cheap mike in his university dorm

Hilton Beijing

The BLACK LACE Halloween PARTY@ Zeta was a great success. Many won the personalized bottle of Prada perfume. Others enjoyed free Bloody Mary shooters all night. The world-renowned Card King gave wonderful performances.



Sofitel Wanda Beijing

Sofitel Wanda Beijing has appointed Freda Yu as its Director of Sales & Marketing. Freda Yu brings more than 13 years of hospitality experience to Accor's first flagship Sofitel in China. She will oversee vast operations covering business development, marketing strategies, revenue management and communications implementation. Prior to Beijing, Freda Yu held the same position for more than two years at Sofitel Jin Jiang Oriental Pudong in Shanghai. She has also worked with other prestigious hotel chains such as the Four Seasons Hotel Shanghai and Shangri-la Hotel Dalian.



The Eighth CCTV-MTV Music Awards Gala

The Eighth CCTV-MTV Music Awards gala was launched in Beijing on October 12. Well-known singers like Jay Chou, Carina Lau, Jeff Zhang and Joey Yung from China's mainland, Taiwan, Macao and Hong Kong all won awards and gave wonderful performances for the audience. Honorable guests included Zhu Zhu and Wang Hantao, hostess and host of the MTV Music Channel, Li Yifei, President of MTV China, and Wu Huiping, Vice President of MTV.



Holiday Inn Downtown Beijing

Holiday Inn Downtown Beijing took "Green Action" during the Fragrant Hill Red Leaf Festival. As part of an environmental protection campaign, General Manager Henry Chan (center) and Assistant General Manager Manfred Zhang (sixth from left) led the staff to collect rubbish in Fragrant Hill Park.



SGF

On November 6, 2006, SGF International Hotel Management Co. Ltd. (SGF) announced its latest management project with Zhuozhou YinDu Co. Ltd. to manage YinDu Hotel. This is a great gift for SGF before getting into the New Year.



Crowne Plaza Park View Wuzhou Beijing

Manuel A. Diaz (left), Mayor of Miami City, is welcomed by Roland Steiner, General Manager of Crowne Plaza Park View Wuzhou Beijing, during his visit to the hotel on November 7.



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Sofitel Plaza Xiamen

Loy Kratong Thai Food & Cultural Festival

The mysterious, spectacular and romantic Loy Kratong Thai Food & Cultural Festival took place at Sofitel Plaza Xiamen on November 3-10. Sofitel Plaza Xiamen was proud to present the guests a combination of Thai Culture, Thai folk-custom and Thai food in the authentic outdoor setting of the poolside terrace. Sofitel Plaza Xiamen invited four Thai chefs from sister hotels of Bangkok, which accommodated guests with a big surprise.



Warm and Fuzzy

China's latest round of heating reforms could make its citizenry happier through fairness and focusing on the poor

By FENG JIANHUA

Heat coming from the radiator could begin to cause a warmer, fuzzier feeling among China's citizenry and government leaders this winter. The temperature won't differ, but the way it is paid for could get a lot fairer under new reforms the Chinese Government is spearheading this winter.

Known as the last fortress of China's planned economy, the heating scheme, which has lasted for five decades, not only imposes financial burdens on the government, but also meets with increasing questioning over its fairness.

The key measure of this reform is to put the current covert government subsidies for heating into a personal account of the employees, who will pay for their heating from this account. Under the new arrangement, heating will for the first time become a commodity.

But the availability of heating to disadvantaged groups holds the key to success of the whole reform, said Qiu Baoxing, Vice Minister of Construction.

Direct motivation

Heating in winter is only available in the coldest 15 provinces and municipalities in north China, which usually lasts for five months from mid-November to mid-March of the next year. In the 1950s, boiler heating started to be widely adopted in Chinese cities. At this stage, urban residents bought coal to provide heating for their own housing and *danwei*, or work units, delivered subsidies to their employees. This marked the beginning of a social welfare-based heating system.

It was not until the late 1970s that China started to adopt central heating systems in urban areas. At that time, housing was not a commodity and urban residents lived in housing provided by their *danwei* and enjoyed free heating. Actually, the national treasury paid for the heating bills for almost all urban citizens.

The 1990s witnessed the implementation of stockholding reforms in the majority of state-owned enterprises (SOEs) and the commercialization of housing. Along with this trend, payment of heating subsidies for SOE employees was shifted from the government to their companies. Yet the heating bills of civil servants and employees of social welfare institutions are still paid by the government.

Meanwhile, due to the engineering limitations of the heating system, residents have been unable to control the runoff of steam, which incurs huge energy waste. When it gets too hot, people have to open windows to



BUTTONED UP: Due to lack of funding, a countryside primary school in northeastern Liaoning Province is forced to provide only intermittent heating in the classrooms

let it cool off. Heating is left on in office buildings and schools after work and during weekends and holidays, which leads to a huge waste of energy. For example, in northern China, 40 days or 30 percent of the 125 days of the heating season are holidays.

Vice Minister Qiu once announced such a calculation: China's residential heating consumes 130 million tons of coal every year, accounting for 10 percent of total energy consumption.

Collection of heating fees is another thorny issue caused by the tradition that heating is part of government's social welfare. Jiang, the administrative head of a Beijing-based research institute, is in charge of col-

lecting heating fees from employees. In recent years, however, he has been on the verge of a nervous breakdown when the heating season is about to start. In the past the collection of heating fees was not a problem since most employees lived in the housing of their *danwei*, which paid the whole bill.

But recent years have witnessed a dramatic change in the landscape. Many employees, after landing a job elsewhere, still live in the apartment they purchased from their employers. This group of people finds a perfect excuse to delay or deny the payment of heating fees since the integrative design of the heating network makes it impossible to switch off the heating in one apartment without affecting the whole building. Jiang's *danwei* has to pay the heating fees for former employees that no longer have their payroll in the research institute. Then he has to ask for the prepaid money back, house by house, which is quite a headache.

Over 80 percent of residential housing in China has become privately owned, which justifies some *danwei* in refusing to continue their payment for employees' heating. On the other hand, some companies have no financial ability to shoulder the burden of providing free heating for their employees. These

companies just don't pay the bill. Take Beijing for example. Statistics from 2005 show that the payment rate of heating services was lower than 30 percent, involving an arrearage of 20 billion yuan.

An interesting phenomenon is that some companies that cannot afford the heating have to mortgage their products. So as every heating season draws to the end, the warehouses of heating provider companies are piled with merchandise. Some heating companies even have to open a store to sell these products to offset some of their losses.

The low payment rate of heating fees has undermined normal operation of heating companies. A heating crisis struck the chilliest

northeastern three provinces in 2002 when then Premier Zhu Rongji had to allocate 300 million yuan from the cabinet emergency fund to finance heating in the northeast. Zhu immediately rallied the Ministry of Finance and the Ministry of Construction to work out a heating reform draft toward abolishing the welfare-based heating scheme. This move was the first step down the heating reform path.

The first official document on heating reform was released in 2003, which selected 12 cities for pilot reforms. In 2005, eight government ministries jointly launched a new reform document, which required all cities to complete the mechanization-orient-



MISSION CONTROL: Workers at a heating company in Shenyang in northeast China monitor figures to make sure the city's heating system functions well

ed reform in two years. At the heating reform conference at the end of August, the Ministry of Construction, which is in overall charge of the reform, once again accelerated the program, calling for it to be widely tackled this winter. A national office specializing in promoting the heating reform was founded at the conference.

Reforming the core

China's current heating system at its core regards heating service as part of welfare provided by the government. Yet in the eyes of many people, the heating system is full of unfair factors. For one thing, those enjoying stable heating subsidies are only employees of government, social welfare institutions and SOEs, while the accessibility of this welfare for employees of private companies, self-employed people and people without a stable job can not be guaranteed. The exceptions include ill-performing companies unable to pay their employees' heating bills and companies that simply ignore the weakly enforced policies and refuse to pay for workers' heating.

Another unfair factor is the insufficient subsidy for the low-income group. In some regions with pilot projects, the governmental heating subsidy covers only 32 percent of the low-income families entitled to the minimum living allowance provided by government for poor families. Even including the subsidy from their employers, these low-income families still have to pay nearly half of their heating bill, which accounts for nearly 10 percent of the family income. For low-income families whose members do not have a stable job, they have to pay 79 percent of their heating service, which occupies 13 percent of the family income. By contrast, families with employees of government, social welfare institutions or SOEs, only pay 5 percent of their heating bills, which account for a mere 6 percent of family income.

For most ordinary citizens, the heating reform only represents a fairer distribution of social wealth while for low-income groups a warm winter hinges on the success of the reform, especially for jobless low-income families, who are the most disadvantaged group under the current scheme.

"The starting point and ultimate goal of any reform should be to uphold fairness," said Lu Zhijian, a civil servant in Shaoyang County, Hunan Province. "The heating reform would not be a successful one if only heating subsidy goes into a personal account and the distribution of interests doesn't change."

"The priority of the heating reform is to guarantee the interests of the low-income group," said Sun Feng, Associate Professor of Sociology at Tsinghua University. "Therefore in the process of formulating policies, there is a need to slant toward their interests"

Heating reform is a complicated social program, which involves work in different aspects. Thus, Sun thinks the setting of a deadline this winter by the Ministry of Construction is too tight. Instead, she believes the heating reform, which involves the interests of each citizen, should be based on suggestions solicited from all walks of life. She doesn't like the idea that the government officials control the reform pace.

"Since the reform itself will have an economic and social cost, if it ended up enlarging the unfairness, what is the meaning of this reform?" Sun said.

Tricky reform

According to the announcement of the Ministry of Construction, the reformed heating charging system will replace the floor area-based charging scheme with a runoff-based charging scheme. A heating valve and meter will be installed in every household.

Under the new scheme, the heating of a household could be switched off when it stops paying. The valve to be installed also

offers residents control over the runoff of the steam, which will stimulate energy saving and scientific management of the heating market.

Toward this end, the Ministry of Construction has set an agenda for government office buildings to finish the redesign of the heating system in line with a runoff-based charging scheme before the heating season of 2008.

When talking about the heating reform, Vice Minister Qiu said the chronic difficulty in collecting heating fees has been substantially improved in cities with pilot reforms. For example, in Shenyang City, Liaoning Province, the payment rate of heating fees has climbed from 30 percent to 70 percent after the installment of household heating systems.

Officials from the Ministry of Construction have stressed on many occasions that guaranteeing sufficient heating for disadvantaged groups is the key to the success of the heating reform. Yet national policies to safeguard interests of the poor have yet to come out.

However, there are such measures in pilot heating reform programs. For example, the Liaoning Provincial Government stipulates in reform policies that workers of companies with poor performances could get heating subsidies with their salaries. Laid-off workers could enjoy full subsidy, which will come from a designated heating guarantee fund in every city. According to the regulation of the provincial government, this fund should be higher than 30 percent of the city's total heating budget.

According to statistics of the Liaoning Provincial Government, by the end of November 2005, the province has accumulatively collected heating guarantee funds of 1.35 billion, with 100 million yuan to 120 million yuan coming from the capital city of Shenyang.

"The disadvantaged group is a vague concept, which needs to be specified in the process of heating reform," Sun said.

Dalian City in Liaoning defines the disadvantaged group entitled to heating subsidies as the following: urban residents living on minimum living standard allowance, low-income households, unemployed widows or widowers who have to support a juvenile, and households with both husband and wife retiring as laid-off workers.

Ye Tianquan, an official from Liaoning, noted that the heating reform in Liaoning has covered employees of government, social welfare institutions, and various forms of companies.

Still, Wang Wentong, Deputy Director of the Heating Administration Office, is plagued with the reform's imperfections.

"It is unrealistic to expect to solve all problems once and for all," Wang said. ■



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Foreigners enjoy Chinese Chong Yang Festival

Every year we have the Chong Yang Festival, or Double Ninth Festival, also called Old Men Festival, on the ninth day of the ninth lunar month. During the festival this year many foreigners, together with the Chinese, celebrated with various activities such as climbing mountains, appreciating chrysanthemum flowers, drinking chrysanthemum wine, and eating double-ninth cakes. Foreigners who are working in China are increasingly experiencing Chinese life nowadays. They have many more festivals to celebrate, such as Christmas Day and Spring Festival, enjoying two different but joyful festivals.

Chinese Chong Yang Festival introduction:

Origins: The festival dates back to the Warring States Period (475-221 B.C.). According to the *yin/yang* dichotomy that forms a basis of the Chinese worldview, *yin* represents the elements of darkness and *yang* represents life

and brightness. The number nine is regarded as *yang*. The ninth day of the ninth lunar month is a double *yang* day, hence the name "Chong Yang Festival" (Chong means "double" in Chinese). The ninth month also heralds the approach of winter. It is a time when the living need warm clothing, and filial Chinese sons and daughters extended this to make the festival a time for providing winter clothes for their ancestors. The Double Ninth Festival, therefore, also became an occasion to visit the graves of dead family members. Clothes made of paper would then be burnt as offerings.

The Double Ninth Festival is also a time for family get-togethers. It is an occasion to remember one's ancestors, the sacrifices they made and the hardships they underwent. Often, family outings are organized during which people search to renew their appreciation of nature and to reaffirm their love and concern for family members and close friends.

Tourism Information

Johor Tourism Promotion

A tourist delegation of Johor, Malaysia went to Beijing for a seven-day tourism promotion activity from October 11 to 17, introducing the unique charm of Johor to the Chinese citizens.

Johor is the fifth largest state of Malaysia and is the southernmost state in Peninsular Malaysia. It has eight large islands with numerous smaller ones. On its western coast, Johor faces the Malacca Strait. On its eastern coast, Johor borders the South China Sea.

Johor possesses a great number of pear gardens, rubber gardens, coconut gardens and oil palm gardens as



well as a tranquil countryside. The fascinating islands in Johor are satisfactory places to harbor your heart and the waters around the islands are deep and clear—good for diving.

The Endau Rompin National Park located on the border of Johor attracts many nature lovers. The prosperous tropical rainforest is home to many rare animals, including the two-horned rhinoceros. The rocks and hills around the park are estimated to have a history of over 25 million years.

China is the fourth largest tourist country for Malaysia, hence the Johor Government attaches great

importance to the Chinese market. They hope their promotional trip to China will bring more Chinese people to Johor for holidays to experience the true Malaysia.

Santorini From Greece

Santorini is a circular group of volcanic islands located in the Aegean Sea, about 200 km southeast from the mainland of Greece. It is the southernmost member of the Cyclades group of islands, with an area of approximately 73 km. Its spectacular natural beauty along with its eminent nightlife makes the island one of Europe's top tourist hotspots.

The island was the site of one of the largest volcanic eruptions of the last several thousand years when it erupted cataclysmically about 3,500 years ago. One popular theory holds that the eruption is the source of the legend of Atlantis.

You can observe the breathtaking views of the volcano and neighboring islands and miles of dark sandy or pebbled beaches. Everywhere, you can see small domed churches and remnants of days gone by.... It has been said that the sunsets in Santorini are the best in the world.

Santorini is home to a flourishing wine industry, based on the indigenous grape variety.

Resort Development Ltd. Launches Project Recommendation Forum

On October 26, 2006, the recommendation forum on the Cotai Strip (Macao) and Hengqin (Zhuhai) Convention Resort was opened in the Great Hall of the People in Beijing. The forum was hosted and sponsored by a listed transnational company called Resort Development Ltd. from the United States. The forum focused mainly on the development of Chinese tourism and some commercial strategic cooperation. A number of governmental top officials participated in the forum.

It is reported that the Hengqin (Zhuhai) Convention Resort won high praise from Premier Wen Jiabao who noted that Hengqin Island is a valuable land and needs careful planning and development. Huang Huahua, Governor of Guangdong Province hosted the launching of the project.

In the forum, the National Tourism Administration, tourism bureaus across the nation, and renowned domestic tourism service agencies reached consensus with Resort Development Ltd. in terms of developing the Chinese tourism market.



Aluminum Blues Is Good News?

It's a sign that China's macroeconomic controls are working

By LAN XINZHEN

Attention automakers, plane manufacturers and anyone else who uses alumina to turn a profit: The price of the metal in China began plummeting from November 3.

Why?

Because the Chinese Government has changed tariff policies that had sustained a higher price. The government reduced the import duty on alumina (from 5.5 percent to 3 percent), and raised the export duty on electrolytic aluminum (from 5 percent to 15 percent) on November 1, essentially providing a surplus of the metal in the Chinese market.

That caused alumina prices to decline precipitously.

On November 3, Aluminum Corp. of China Ltd.—the world's second largest alumina producer—announced it would reduce the price of alumina from 2,950 to 2,400 yuan per ton. This announcement followed on the heels of other similar company announcements (and government announcements).

On September 1, the company announced

to cut the alumina price from 4,900 yuan to 3,800 yuan per ton because, at the end of August, the government cancelled the export tariff rebate for exported commodities whose alumina content surpasses 50 percent.

So, from 4,900 yuan per ton on September 1 to a mere 2,400 yuan per ton now, the alumina price declined more than 50 percent in just two months.

That's good news for alumina-dependent manufacturers, but it's also a signal that the government is switching its export favoritism from industries like alumina to more high-tech sectors.

From favorite to target

Four years ago, alumina was the darling of Chinese manufacturing—market demand was high (for an expanding number of factories) and prices were on the rise.

But by 2004, the aluminum industry was characterized as one of over-investment, putting unfavorable pressure on the Chinese economy. The government had no choice but to speed up its effort in adjusting the industrial structure. Accordingly, the

government has curbed bank loans, readjusted export tariff rebates, and restricted the establishment of projects that consume high investment in the industry.

This round of tariff readjustment, including alumina and electrolytic aluminum on November 1, involved 168 commodities.

The new temporary tariff rate stipulates:

- the temporary import duty of 26 resource products including coal, refined oil, and alumina is decreased to 0-3 percent from the original 3-6 percent;

- the import duty of certain key facilities and spare parts, which are conducive to technological innovation and energy conservation, is reduced to 0-3 percent from 1-7 percent;

- the export duty of 110 kinds of resource products and those with high energy consumption and environmental pollution is raised, including 44 mineral products (now taxed at 10 percent), four energy products (now taxed at 5 percent), 11 non-ferrous metals including cuprum, nickel and electrolytic aluminum (now taxed at 15 percent), 30 steel and iron product like pig iron and billet (now taxed at 10 percent) and the other 21 products like wooden floor boards and disposal chopsticks (now taxed at 10 percent)

“This round of tariff adjustment is aimed at encouraging the import of resource products and products that are conducive to technological innovation and restrict the export of products with high-energy consumption and pollution,” said Zhang Jintao, analyst with China International Capital Corp. Ltd. “It is helpful to optimize the industrial structure.”

Recently, the Chinese Government is paying increasing attention to using economic control measures to guide economic development, and is making progress in using macroeconomic control measures. If the same problem took place some 20 years ago, the government would probably have solved it through administrative orders. In the former planned economy, the fate of enterprises and economic trends were decided by administrative orders.

The good news and the bad

The research department of China International Capital Corp. believes the new 15 percent tariff on electrolytic aluminum will add to the export cost by about 2,000 yuan per ton in the whole industry.

“The export cost hike will lead to a decreased export quantity,” said Zhang Jintao.

The reduced export will ultimately cause the structural adjustment of aluminum manufacturers, which had been flourishing in the past few years. Already, the present alumina and electrolytic aluminum supply has far surmounted the domestic demand.

But some say the restructuring isn't a



THINK HI-TECH PROFIT: The tariff rate readjustment shows the government's support for the development of the hi-tech industry



LIKE GOLD, BUT NOT: Exported aluminum is getting expensive. After a temporary tariff rate took effect, exported resource products like electrolytic aluminum will be heavily taxed

bad thing.

The tariff increase of pig iron and billet will reduce the export quantity of raw steel and will help eliminate poorly managed steel factories—which has been a government goal for years.

The National Development and Reform Commission (NDRC) and other relevant departments had once set the goal to eliminate poorly managed iron and steel factories, but confronted difficulties resulting from the export demand. This round of tariff rate readjustment will likely hike the

export cost of domestic pig iron and billet so that underdeveloped factories will have to retreat from the market.

Other industries that are involved in this tariff rate readjustment will also suffer.

However, for computer manufacturing and electric semiconductor enterprises, the tariff rate readjustment is good news. The decrease of import tariffs on the semiconductor module and some other computer spare parts will reduce the cost of computer manufacturing in the domestic market.

In September, China increased the export

tax rebate for electric and hi-tech enterprises, which also showed the government's supportive attitude to those enterprises.

"The Chinese Government hopes that the hi-tech industry can be a new economic growth engine instead of depending on low-technology, high pollution and high energy consumption enterprises," said Zhang Yansheng, a researcher with Academy of Macroeconomic Research under the NDRC.

However, the market will ultimately determine the effect of the readjusted macroeconomic control policies.

"Every adjustment is just one link in terms of achieving the transition of economic growth," Zhang said. "It will take a while for this round of tariff rate adjustment to take effect."

But one thing is for sure: The readjustment of the tariff rate in an effort to restructure domestic industries is working as we can see that the product price is changing (in line with the intention of policy-makers), said Professor Zhu Kaihong of the University of International Business and Economics.

"At present, we should observe the function of policy and take stricter macroeconomic control measures when necessary," Zhu said. "On the other hand, we need to wait as it takes time for one policy to take effect." ■

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Boob Tube Boobs?

Old-school TV manufacturers are slow to catch on to the flat screen craze, but maybe they're more tuned into the market than competitors realize

By TAN WEI

Fan Zhijun never expected his interview to arouse such ire among leaders in the domestic color TV market. In talking with *China Business News*, Fan Zhijun, Managing Director of the North China Area of Suning Corp., a renowned electric appliance retailer, said, "We predict that CRT color TVs will exit the market within one year and the Suning outlet newly opened in Beijing will be the first in China that refuses to sell CRT color TVs."

While CRT (cathode ray tube) color TVs are used by most of Chinese families at present, CRT color TVs have lost their low-cost advantages, he said.

But Fan Zhijun's assertions were inflammatory to old-school color TV makers and their advocates.

"C R T TVs will not quit from the market within one year; they

will not disappear even in 20 years!" said Fan Wenqiang, Chairman of the China Trade Association of Color Kinescope.

Still, foreign brands such as Sharp, Sony, Philips, Samsung and LG, also declared recently that they have either stopped or will stop production of CRT color TVs by the end of this year.

"The CRT color TVs being sold now are inventory before last March and by the end of this year, CRT color TVs branded with Sony will all disappear in the Chinese market," said Kang Jian, Director of Public Relations of Sony (China).

Some domestic color TV makers also indicated that although they are still producing CRT TVs now, as production costs of flat screen TVs are further reduced and high definition TV channels are gradually popularized, they won't manufacture them in the near future. CRT TVs—with low resolution, comparatively smaller screens and no digital display capability—will have no hope in the market, they say.

But According to Fan Wenqiang, judging from the development trend in China and the global mar-

ket, displays will exist in various forms. Moreover, because of pricing and national conditions, CRT TVs will occupy the market for a long period of time with irreplaceable advantages by other kinds of displays.

Jockeying for face time

In recent years, TV display technology has become fiercely competitive, with flat screen TVs, represented by LCD (liquid crystal display) and PDP (plasma display panel), encroaching upon traditional CRT color TV market share.

At large electric appliance stores in Beijing, such as Suning and Gome, flat screen TVs, especially LCDs, are more and more popular while CRT TVs are being phased out.

"Compared with CRT TVs, LCD TVs have larger and thinner screens and look more fashionable," said Li Xue, a woman selecting TVs at Suning. "Many of my friends have exchanged CRT TVs for LCD TVs and some of them have even bought small LCD TVs for different rooms, such as the kitchen and bathroom."

But Li also has concerns about the new technology.

"It is said that the service life of LCD TVs is only around three years while their prices are several thousand yuan higher than those of CRT TVs," Li said.

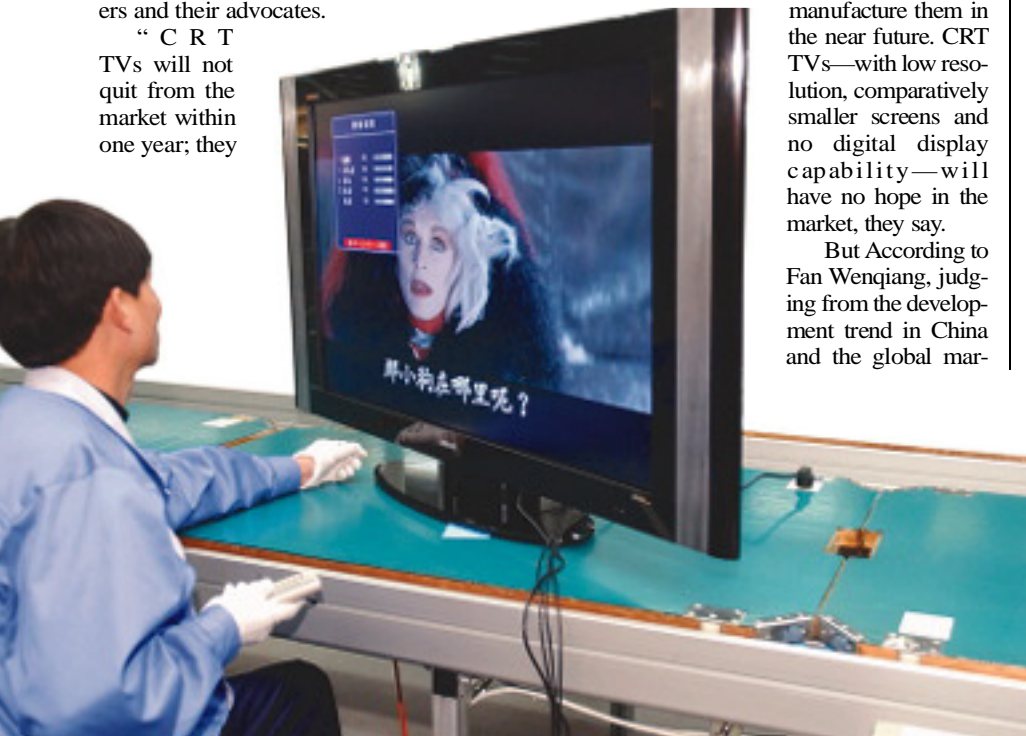
According to Fan Wenqiang, LCD and PDP screens may be fine for the first three or four years, but as time goes by, some unstable substances in the screens will cause image brightness and contrast to decline. On average, a bulb for such devices, which costs about 2,000 yuan, works for 8,000-10,000 hours. If it works 10 hours a day, it will last about two years.

LCD and PDP TVs also consume twice the amount of electricity as CRT TVs do.

But maintenance of CRT TVs only costs several hundred at most for any needed maintenance, and fragile parts such as circuit boards can easily be replaced. Moreover, it is easy to find maintenance workers to repair CRT TVs.

In comparison, accessories for flat screen TVs are expensive. In general, screens account for over 60 percent of the total price of the TVs, but they are also the most fragile. For the foreseeable future, flat screen TVs will not be able to compete with CRT TVs in terms of maintenance prices.

Results of a survey carried out by Sino Market Research Ltd. suggest Fan Wenqiang is right: It is too early to say CRT TVs will disappear. According to its estimation, China will need 36.22 million color TVs in 2006, among which 31.1 million, or 86 percent, will be CRT TVs, while the other 14 percent, or 5.1 million, will be LCDs, PDPs and other modali-



PRETTY FOR NOW: A worker trial runs an LCD TV at the assembly. Some say LCD TVs don't last as long as their CRT counterparts



FAWNING OVER FLAT: LCD TVs, like the one pictured here, are giving CRT color TVs a run for their market share

ties. By 2010, China still will need about 30 million CRT TVs, ranking first among all kinds of displays.

Ma Long, Deputy General Manager of the Purchasing Center of Gome Electric Appliance Group Co. Ltd., agrees with this data. Sales statistics from Gome indicate that in large cities, CRT and LCD account for 70 percent and 30 percent of the total sales volume of color TVs, while in medium-sized cities, the proportions are 85 percent and 15 percent respectively. Further, China has a huge rural market for CRT TVs.

Wu Zukai, a member of the Chinese Academy of Engineering, said that there is a price difference between flat screen TVs and CRT TVs that should under no circumstance be neglected, so it is impossible for flat TVs to replace CRT TVs in recent years.

Flat profits

As trendy new items, flat screen TVs are both opportunities and challenges that TV makers face.

"It's wrong to allege that the CRT will disappear within one year, but we should also realize the trend that sales volume of the CRT is shrinking while that of LCDs is gradually increasing," Ma said.

However, flat TV makers have yet to become sufficiently profitable. Among multinationals, only a few, such as Samsung, are.

Xiamen Overseas Chinese Electronic Co. Ltd. (XOCEC), one of the first Chinese TV makers to embrace flat TVs, has seen its sales revenue grow rapidly in the recent two years through both domestic and overseas sales of flat TVs, but it didn't make much money in this field. In the first half of this year, XOCEC generated profits of 44.57 million yuan, but color TV business only contributed 8 million yuan.

A report by IT Time in China showed that Hisense, which shifted to flat screen TVs at the same time with XOCEC, realized 100 million yuan of profits in 2005. Of the total, CRT contributed 120 million yuan while the flat screen TV business lost 20 million yuan.

In the same year, Changhong and Skyworth, whose CRT business occupies the leading market shares, generated profits of 245 million yuan and 271 million yuan respectively, while their sales volumes were similar to the much less-profitable Hisense.

So most of color TV makers are aiming to achieve the right balance between developing flat screen TVs and keeping to their advantages in CRT.

Guo Dexuan, General Manager of Changhong Marketing Co. China, said that under the structure of Changhong's color TV business, the mature CRT TVs are still the major source of profits, but Changhong Digital Flat Display Co. must be the future income source. He estimated that this year, net profits of Changhong may reach 500 million yuan, of which 400 million yuan come from the color TV business and CRT TVs will contribute 95 percent to the profits generated by that business.

Fan holds that different types of display have different target audiences and these display technologies will be supplementary to each other instead of substituting each other.

"Therefore for quite a long period of time, competition among CRT, LCD, PDP and other types of display will exist," he said.

Kinescope concerns

It is color kinescope makers who feel the greatest pressure from the potential eventual extinction of CRT TVs.

If CRT TVs exit the market, CRT color kinescope makers would be the first stricken. They understand the situation better than anyone else. This is substantially different from the strategy of CRT TV makers.

Yu Zhiqi, Chief Engineer of Novel Color Picture Tube Co. Ltd., points out that with more than two decades of continuous investment, China has become the largest CRT producer in the world, establishing complete industrial chains from CRT materials to color TV manufacturing. Every year, China can produce 60 million CRT

kinescopes and 60 million CRT TVs.

Nevertheless, all these brilliant achievements will become history as technology is upgraded. The Chinese CRT industry worries it will meet the same fate.

In recent years, many Chinese color kinescope makers have reduced their output. Novel Color Picture Tube Co. Ltd. closed two of its four assemblies. Thomson Foshan CPTC Ltd. and Dongguan Fortune Group were sold to an Indian company. Thomson Foshan also has shut down one of its two assembly lines. Shenzhen Electronics Group Co. Ltd. (SEG) also plans to reduce its production capacity.

Although it is commonly accepted by industry insiders that CRT TVs will not disappear within at least five years because of their price advantages, the impact of flat screen TVs is an indisputable fact. Among the once 50 color kinescope makers in the world, only 30 have survived and most of them are in China, South Korea and Southeast Asia.

SEG is exploring new business opportunities and mobile electronics is one. It started mobile GPS production five years ago and has become the largest provider in Shenzhen. In 2005, the auto navigation business of SEG generated sales revenue of more than 100 million yuan. SEG also is pursuing other electronics business in Shenzhen, Guangzhou, Suzhou, Chengdu and Xi'an.

But as a traditional color kinescope producer, why didn't it opt to produce flat screen TVs?

"It's not realistic," said an SEG official, who requested anonymity. According to this official, the investment threshold of flat displays is much higher. It costs only 1 billion yuan to set up an assembly of color kinescopes while nearly 10 billion yuan is needed for an assembly of LCDs or PDPs. Furthermore, flat screen TVs core technology is in the hands of foreign companies. It is safer for SEG to play a supporting role and the company may produce some supplementary products, the official said.

Unlike SEG, Irico Electronics Group Corp., the largest Chinese color kinescope maker, has cooperated with Changhong to produce PDPs. SVA (Group) Co. Ltd., a large shareholder of Novel Color Picture Tube Co. Ltd., has also cooperated with NEC from Japan in PDP production.

Some other color kinescope makers are even focusing on advancing their kinescope technology. Sheng Jianzhong, General Manager of the No.1 Department of Nanjing Huafei Color Kinescope Co. Ltd., told *Beijing Review* that the company has produced 21" super-slim color kinescopes and 32" 16:9 color kinescopes. The company plans to release another two new kinescope products soon. ■

By TAN WEI

At the 2008 Beijing Olympic Games, Yao Ming might look a little smaller than usual. That will at least be the case for the estimated 1 million Beijing residents watching the Olympic Games on their mobile phones.

As you can imagine, that has various industry players salivating, at least when they're not busy sifting through the implications of a new mobile TV broadcasting standard that will impact how they air a cellular Olympics.

The State Administration of Radio Film and Television (SARFT) issued an industry standard called the CMMB (China Mobile Multimedia Broadcasting) system on September 24, which is colloquially known as the mobile phone TV standard. SARFT claimed that the transmission technology—the key part of the standard—has been resolved. StiMi technology (Satellite Terrestrial Interactive Multi-service Infrastructure) was adopted from November 1 this year.

The Selling Of Cell TV

Industry figures out how to profit with the new Chinese mobile phone TV standard

The issuance of the SARFT standard attracted wide attention from industry insiders.

The partners—also known as cooperators—of the CMMB standard include China Telecom, China Unicom, broadcasting institutions like China Central Television, China National Radio, China Radio International, Beijing All Media and Culture Group, and others.

These big names have, in effect, indicated that the disputed mobile phone TV standard has finally been resolved with the acceptance of the CMMB standard.

SARFT noted that StiMi transmission technology is the key component of CMMB. The CMMB standard system also involves other attributes touching on video and audio, etc.



NOT JUST ANY GAME: Soon, cell phone users won't just be playing pong, or any other interactive game. They'll be watching TV, and especially the Olympic Games in Beijing

According to the blueprint for developing mobile phone TV, by the end of 2006, the country will complete the trial testing of the ground data link and interchange station system—the infrastructure. By the middle of 2007, the ground data link and interchange will be constructed and put into commercial use. By the first half of 2008, the satellite system will be integrated into this network and will form a nationwide network for formal operation. If all goes to plan, mobile phone TV will be ready for the 2008 Beijing Olympic Games.

Statistics provided by IMS Research, a market analysis company, show that the Chinese mobile phone TV market could expand to as much as 500 billion yuan by 2008.

But relevant organizations need to cooperate for this to happen. SARFT should provide the TV content for users, while telecom operators and manufacturers must provide necessary technology.

Li Guangzeng, a professor at Nanjing University of Posts & Telecommunications, pointed out that judging by the development trend of media, the mutual integration of telecom and radio, film and television industries is unavoidable.

The mutual integration will create, as the Chinese love to say, a win-win situation.

The announcement of the new mobile phone TV standard offers radio, film and TV industry insiders brand new opportunities. For instance, TV programs and radio stations can look forward to an extra channel to broadcast their programs and bring in more advertisement revenue. On the other hand, by charging users who watch mobile phone TV, telecommunications companies will expand their businesses.

Wang Lian, Deputy Director of the Science & Technology Department of the SARFT, agreed.

“SARFT has advantages in terms of channels, content and policy, while telecommunication companies enjoy relatively more capital and user networks,” Wang said. “The Chinese mobile phone TV standard relies on independent innovation to enact a unified standard so as to boost the integration of three networks—the TV network, radio network and telecom service. Our objective is to create a comprehensive mobile multi-media broadcasting network.”

Chips' shot

Before the SARFT standard was announced, some manufacturers had already begun to try out mobile phone TV technology. However, as the industry standard was not established, all sides had been cautious in investment. After SARFT announced the CMMB standard, many chip manufacturers actively set up production

plans in line with the standard so as to follow up with the market trend.

Of course, there's no mobile TV without the right chips, so the message is clear to chipmakers: Innovate!

“Although Siano spent only two years in coming up with the multi-standard silicon of the mobile phone TV, it usually takes a company at least three to four years for a comprehensive technology package,” noted Wang Wei, Chief Representative of Siano Mobile Silicon who is in charge of the China market.

Siano is a silicon solution provider based in Israel and is also the first to provide the silicon chip that supports multi mobile phone TV standards.

“We are applying for joining the CMMB working group,” Wang Wei said.

Wang said the same thing should also apply to mobile phone TV.

The number of multi-standard chip solution providers won't be many, and Wang Wei estimated that by the end of 2007, only three or four manufacturers in the world could provide such a chip solution.

Apart from Siano, some emerging semiconductor companies have also explored research and development of mobile phone TV chips.

A number of international chip solution providers also stated that once the Chinese standard is set up, they will set off to provide mobile phone TV chips. Luis Pineda, Vice President of Qualcomm, noted the Qualcomm chip solution for multi-standard mobile phone TV is scheduled to be put into the market in the first season of 2007.



CRASH COURSE: An Intel employee teaches potential customers how to use mobile phones to watch TV programs

“The application procedure will be a bit complicated. Our company plans to produce the second-generation product to support CMMB in 2007. We are working on a multi-standard support and are 80 percent sure that we can support the CMMB standard next year.”

However, Wang Wei said, time is short.

It is widely suspected the chip solution that supports multiple standards will become the development trend for mobile phone TV and mobile digital TV.

“Just like the TV sets,” noted Wang Wei, “We buy TV sets regardless of which standards it supports, because at present, each TV set supports all TV standards.”

However, many people hold the standard proposed by SARFT is just a recommendation—neither compulsory nor the national standard. The unidentified nature of the standard will give rise to reorganization of the market.

Wang Lian added, “Most of the domestic broadcasting and TV standards are recommended instead of being compulsory to service providers. The standardization Administration of China has not planned to upgrade our standard to a national level. But many South Korean companies have stated clearly that as long as the industry standard of mobile phone TVs is set up, they will immediately follow up.” ■

The Annals of Annuity

Beyond a name change, "annuity" is undergoing a major facelift in China



SENIOR IN NEED: Currently, many elderly Chinese don't earn enough from pension packages to comfortably retire

By TAN WEI

Annuity is in transition in China, and hopefully it will benefit retirees more in the future. As an important component of the corporate welfare system, annuity refers to voluntary supplementary endowment besides the basic pension stipulated by law. Annuity funds come from both companies and employees.

In 2000, the State Council changed the name of "additional pension" into "annuity." In 2004, Trial Measures for Annuity and Trial Measures for Management of Annuity Funds were promulgated, formally establishing the principle of market-oriented management and operation of annuities.

According to an estimate by Ba Shusong, Deputy Director of the Financial Institute of the Development Research Center of the State Council, the amount of annuity funds collected before 2004 stands at about 100 billion yuan.

But before 2004, due to a lack of a uniform management mechanism, this amount of annuity was managed in various forms. In Shenzhen and Shanghai, social security fund

management centers were set up to operate annuity funds; some sectors, like the power industry, adopted universal management of annuity on their own; and some annuity funds were even used to buy supplementary commercial pensions.

"In accordance with the former operation model, after collecting an annuity, annuity managers, such as social security fund management centers, are entitled to manage the money on their own," Ba said. According to him, scandals arising in recent years have shown that the largest problem is that this sum of money is operated without trustees or investment managers, and therefore, it is likely to be embezzled or suffer losses. In July 2006, an annuity scandal in Shanghai was revealed in which 3.2 billion yuan of annuity was embezzled by senior officials. It was the largest such case since China established the annuity system.

On September 24, Chen Liang, Director of the Fund Regulatory Department of the Ministry of Labor and Social Security (MLSS), declared that the annuity funds collected before 2004 must be incorporated into a new management mechanism by the end of

2007. The ministry is to carry out investigations and studies on detailed measures of the new mechanism. Transitional guidelines will be issued in the first quarter next year. At the same time, local social security fund management centers should not participate in annuity management again.

Providing for the aged

To most company employees in China, a pension is their only income source after retirement, but this income is not handsome. According to statistics from the MLSS, in 2005, the average monthly pension for retirees of companies in China was 698 yuan, accounting for only 45.5 percent of the 1,534 yuan of average monthly salary of employees on the job, or 58.2 percent of the 1,200 yuan of average monthly pension of retirees from government departments and public institutions.

"At present, the basic pension has covered around 60 percent of basic salary before retirement, but it is far from enough to rely on,"

said Chen Liang. "It is necessary to make a full play of annuity in order to make retirees maintain their living standards."

However, many company managers and employees are unacquainted with annuity. Results of a survey carried out by the MLSS in September show that only 40 percent of company managers know about annuity funds and one third of them haven't realized their responsibility of establishing one. Many employees regard annuity as extra charges by companies instead of their supplementary pension investment. Some human resource departments also deem that it's better to provide housing funds or bonuses to employees rather than establishing an annuity, to satisfy their demands of buying houses and cars or children's education.

"By establishing an annuity and completing the multi-level social security system, we may set the target that pension covers 80 percent of basic salary before retirement, hence the living standards of company employees would not fall too much after retirement," said Wang Yijia, Vice President of China Life Asset Management Co. Ltd.

According to Wang, experience of other countries indicates that basic social insurance, annuity and commercial insurance are the three pillars that help stabilize the life of the aged. Among the 167 countries adopting annuity programs, more than one third of them have annuity cover for one third of their laborers. In Britain, the United States and Germany, the coverage rate is about 50 percent. In Denmark, France and Switzerland, the coverage is nearly 100 percent.

At present, there have been 42 million retirees in China incorporated into endowment insurance system and every year there will be 3 million more people added. Wang Yijia believes that annuity is important to a larger and larger group of retirees.

Regulating operation

Statistics from the MLSS indicate that by the end of 2005, there had been 24,000 Chinese companies establishing annuity, involving 9.24 million employees. The aggregate of annuity funds had reached 68 billion yuan, 2.56 times the figure in 2000 and 37 percent higher than that in 2004.

Meanwhile, the rapidly growing annuity in China is faced with more and more serious challenges in regulation and operation. In 2004, the Trial Measures for Management of Annuity Funds were issued, allowing for the first time annuity to be invested in, besides banking deposits and treasury bonds, "other financial products with good liquidity," including corporate bonds, transferable bonds, investment insurance products, securities investment funds.

Figures from the MLSS show that since 1998, there have been over 16 billion yuan of embezzled social security funds being recalled, but by the end of 2005, there were still 1 billion yuan of social security funds not returned, most of which were annuity funds.

"Operation of annuity involves fields like banking trust, securities and insurance and to avoid blank or overlapped supervision, we must strengthen functional supervision," said Chen Liang. "The regulatory department

should focus on supervising qualified institutions to operate annuity."

At the same time, the MLSS also reaffirms that social security funds are prohibited from investment violation. The accumulated social security fund should be strictly managed. Before new regulations are issued, no other investment is allowed. At present, qualified institutions that are allowed to operate an annuity include commercial banks, securities companies, trust investment companies, insurance companies and fund management companies.

More ways of appreciation

Shenyin and Wanguo Securities Co. Ltd. estimates that in the future, annuity will increase 80 billion yuan every year. The aggregate annuity will surpass 500 billion yuan by 2010 and reach 1 trillion yuan in 10 years.

However, appreciation is another problem to be faced.

"Returns of treasury bonds are less than 2 percent," said He Ping, Director of the Labor Security Institute of the MLSS.

The capital market is another important investment destination of annuity. According to present laws and regulations, the proportion of annuity that can be invested in the stock market should not exceed 20 percent. The return rate of the present bond market is about 2 percent and if the expected return rate of an annuity plan is 5 percent, "it means that the return rate in the stock market must surpass 10 percent, which is impossible when performance in the stock market was not reasonable in the previous years," said Tian Canren, President of Harvest Fund Management Co. Ltd.

"With an imperfect capital market, the Chinese Government needs to explore ways for social security funds to be invested in industries with high profits, such as transportation, power and petroleum, or some large infrastructure projects," He Ping said.

But restricted by exacting laws, this ideal is obviously can't be realized. Wang Yijia also believes that regulatory policies of annuity in China should keep to the principle of strict restrictions, which complies with present development of the capital market and safeguards security of annuity investment. ■



NEWS PHOTO

PENSION SEEKERS: Retirees get in line to receive their pension payments. Corporate welfare is undergoing reform in China



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Content Is Key for Digital TV

One industry leader says content is fundamental to making digital TV more mainstream in China

By SUNNIE WONG

Sure, digital TV is a lot prettier than standard cable because of its high-quality images, but one industry leader suggests the new medium's enhanced content is what consumers will really be thrilled about.

"I don't agree that content rules in the traditional TV industry, because it is in the era of digital TV that we will see content really ruling," said Liu Shabai, Vice President of Hunan TV and Broadcast Intermediary Co. Ltd. (TBI).

In a competitive sector, understanding and implementing valuable content in the midst of technological innovation may eventually give TBI and like-minded media companies wider profit margins.

"Content without limits" is the key to profitability in the digital TV age, said Liu, having reached this conclusion after touring Hangzhou and Qingdao, both digital TV revolution leading cities.

A content-heavy investment

To understand the importance of content to TBI, which is handling the roll-out of the company's digital TV in the province, understand this: the company began preparing digital TV content a year ago even though nothing has been aired yet.

"We haven't yet distributed set-top boxes" for digital TV, Liu said. "We are very confident in the content that we will provide."

In terms of TBI's investment in digital TV, it's big.

"When we first invested in the digital network setup, many people found it hard to understand what we were doing because the

investment involved several hundred million yuan—a large sum of money by anyone's standards."

The presumption is that each installed household would eventually pay a fee of 200 yuan per year.

"It will be quite a while before we see any returns," he said. "We can't predict the future, but we expect to stabilize the revenue generated by digital TV after completing the network. Looking back, establishing a strong network was a very smart move. Digital TV content can be compared to a large supermarket where you can buy anything you want."

In his view, traditional TV tends to position each channel specifically. For example, Hunan TV positions itself as an entertainment channel. Digital TV, however, enables limitless content.

Further, traditional TV channels only prepare 24 hours worth of content since they broadcast 24 hours a day. Digital TV, however, interacts with the audience and therefore must have diversified content—more traditional TV content and content from other media sources. All information can be stored in the limitless database for the viewer to check any time at home.

In Liu's words, "We provide what you want as well as many things you don't expect."

For Liu, digital TV will be multi-functional, also essentially working as a computer, newspaper and telephone.

"Digital TV is a revolution," Liu said. "TV is no longer a mere

entertainment tool, it has evolved into a comprehensive information terminal."

So how will this dream be realized?

Liu said it will require the collaboration of digital TV operators and other media organizations. For instance, magazine content could be inputted into a digital TV database and profits shared between the digital TV operator and the magazine on a "per-click" basis. To magazines, digital TV can provide higher readership numbers with no additional cost while enriching the content for digital TV operators. Liu estimates that as long as there are "benefit sharing" systems in place, many media organizations will be interested in such collaboration.

Tapping into big money

When studying the progress of digital TV in other provinces, Liu found that high-end digital TV subscribers (IPTV subscribers) spend an average of 2,500 yuan annually, which equates to 10 years of cable TV fees. For example, there are more than 300,000 household digital TV subscribers in Hangzhou, among which, 80,000 are high-end subscribers. As a result, the revenue from those high-end subscribers is approximately 200 million yuan per year. Given such a high spending power in Hangzhou, Liu reckons the potential in the vastly populated Hunan Province is immense.

But will consumers flock to digital TV as quickly as TBI predicts?

"It will take time," said Liu, optimistic yet cautious in his view. It will take time for audiences to embrace digital TV, as once was the case for cable TV. And while he acknowledged that there would be some difficulties in getting audiences to move from free TV to paid digital, "content will change everything."

Some people say that content rules on traditional television today, but Liu does not agree. In his opinion, most of the content on the 2,000-plus domestic channels tend to be very similar.

But in the digital TV era, Liu said, content will truly be king. The audience will pay if the content attracts them, he said.

This is one important reason why TBI is producing content prior to the distribution of set-top boxes. "We won't launch until the content is substantial and all platforms are in place," said Liu.

Once demand within Hunan Province has been met, Liu wishes to promote digital TV content nationwide. TBI intends to negotiate with digital TV operators in each province and region and collaborate with them.

"The digital TV project shows great promise given the strength of Hunan TV," he said. ■



"Digital TV is a revolution. TV is no longer a mere entertainment tool, it has evolved into a comprehensive information terminal."

—Liu Shabai,
Vice President of TBI

XINHUA FINANCE

“If you understand how to integrate new media and traditional media, then it is possible for the group to move into a whole new arena.”

—Li Ruigang, President of SMG

Do What Others Can't

SMG isn't trying to imitate anyone, and that's its secret for success

By **SUNNIE WONG**

As a competitor of TBI, Shanghai Media Group (SMG) also produces content, which has already begun airing. But the company is focused on a lot more that only it can do, according to SMG President Li Ruigang.

Li recently talked about his new understanding of how to integrate new and traditional media.

How is SMG progressing with its new media business?

Li Ruigang: In terms of digital TV, we have launched pay TV and developed related content. We currently have 16 pay TV channels nationwide and 30 pay TV channels in Shanghai.

In terms of IPTV (Internet Protocol TV), we have 70,000 subscribers in Harbin and 10,000 subscribers in Shanghai, where subscriber numbers are estimated to reach 60,000-80,000 by the end of this year. IPTV charges 60 yuan per month.

We also have broadband TV and mobile phone TV. Mobile phone TV has two modes: One is the browse mode, for which we have approximately 200,000 subscribers nationwide. The other is the DMP (Distributed Memory Processing) mode, which has not yet been launched. We have been trying everything in the new media field over the past two years.

How can SMG operate efficiently with so many different types of media?

We must be clear about our abilities and our direction. We also must give consideration to our specific strengths. We have spared no effort in the new media field. Take IPTV as an example. We have obtained an operating license and have established a platform in collaboration with China Telecom and China Netcom. To some extent, we have become a virtual operator. Thus, we can do what others cannot.

Does this mean that SMG is not involved in content production?

We are involved in content production. It is unreasonable for a good media company to completely outsource content. One of the roles we play is content producer. The percentage of self-produced programs has increased in recent years. Take entertainment programs as an example. We

used to purchase most of the programs, but we currently self-produce many of them. We also sell them to other TV stations and overseas media companies.

SMG covers many areas. With which overseas media groups does SMG share similarities in terms of a profit-creation paradigm?

It is hard to find any similar group in the United States. As far as its overall size is concerned, SMG is certainly not as large as media giants overseas. However, SMG covers a much broader area. News Corp., for example, has no children's programs, but SMG does; Viacom does not have any sports programs, but SMG does. Even before the integration, we already had a diversified selection of channels, covering a variety of themes.

Is SMG currently planning to integrate new media and traditional media?

During the initial phase, we had a number of integration cases. For example, the publication of *China Business News* and also *Haha Pictorial* magazine, which is produced in conjunction with the children's channel. This is the concept of integration between TV and print media. If you understand how to integrate new media and traditional media, then it is possible for the group to move into a whole new arena. ■

(Xinhua Finance)

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Legal-Ease

Doing Business in China

By CHRIS DEVONSHIRE-ELLIS

Land use rights

There has been an increase over the past few years in the abuse and occasionally quite deliberate misrepresentation of the actual circumstances concerning land use rights to foreign investors. This is essentially a legal due diligence issue that is required when acquiring land, and it is vital to carry out background checks to confirm the status of the land in question.

There are two types of land use rights:

- Allocated rights, meaning someone else has the title but permission to use for a specific purpose is provided to you. These take the form of an issued certificate in your name.

- Granted rights, meaning you have title (ownership) of the land.

For obvious reasons, granted rights are more expensive than allocated rights. Granted rights mean you can profit from any increase in the value of the land if you develop it, whereas with allocated rights this is not the case. A certificate is also issued demonstrating you have title.

- Also important to note is the scope of use, which appears on the certificate and identifies exactly what the land is to be used for. For obvious reasons again, this needs to be consistent with your business.

Problems occur as follows:

- Granted rights were paid for, but allocated rights provided. We have even had problems with local governments negotiating a higher premium, yet actually only handing over allocated rights. If wanting title to the land, you must specify granted rights in all circumstances.

- Invalid scope of use. Agricultural land, especially in China, is at a premium, and permission to convert it to commercial use has to be obtained at state level. Yet many local governments themselves issue fraudulent certificates, buying land cheaply from farmers, illegally changing the rights and then selling it on as commercial usage to foreign investors. It is a common scam, and if you get caught—no matter how innocent you are—you stand to lose your investment. You must check with the land bureau on all matters of land use, scope of use and so on to verify what you are told is correct.

- Access rights. Some land can have issues with access rights, and details to provide for this must be hammered out as part of any agreement.

Exit strategies

With foreign-invested enterprises' applications,

issues such as these can appear trifling and not worth bothering about. Yet, if it all goes horribly wrong in China, who gives the green light to exit the investment? The investor or the licensing authority? In China, the investor must obtain approval to close a business if it is not performing. This can be a problem if there are differing opinions on the nature of the operation's woes. The ability to pull out is therefore not in your hands. Should the government decree the business can be a going concern or its closure perhaps faces unemployment issues or loss of tax revenues, obtaining permission to exit may not be easily forthcoming. Normal draft articles themselves are somewhat ambivalent on the matter and far from specific. The way to deal with this is to have the articles of association worded (this is not in standard drafts) in such a manner as to link the termination clauses to production clauses. In this way, an economic trigger is identified that can be pulled should the business under-perform. This needs to be built into the articles of association prior to registration with the authorities. If approved, the licensing authority must follow its own approval process for the behavior of the company if it decides to exit for economic reasons. It neatly puts the ability to exit back in the realms of measurable financial performance and away from any ambiguity.

When specifically dealing with joint ventures, in addition to an exit strategy, details of any acquisition of shares, including prices to be offered for them, can also be inserted into the articles and contract if negotiated and agreed by both parties.

Role of the Labor Union

Again, standard clauses in the articles that may appear innocuous, but if not dealt with and redrafted, these can lead to interference at the highest level in the way in which you operate your business. This is additionally compounded by the fact that new regulations are due to be issued to strengthen the role and responsibilities of the labor union.

All companies in China have the right to form a "grassroots" labor union if there are at least 25 employees (including foreign workers). This structure is part of a national union of workers that has its ultimate power base firmly within the Constitution, so this is a powerful organization.

If a union is formed, then the elected representative has the right to attend company management meetings. The company must fund the union to the tune of 2 percent of all employees' salaries each month (staff must also make a small contribution). Funds should be used for workers' education, welfare and entertainment and may also be used to provide legal support to employees with grievances against the company.

Management interference can be minimized by restricting the union representative's access to the portion of meetings only at which staff and workers' rights are to be discussed, while budgets for the use of union funds can also be agreed upon and implemented. ■

This is the fifth in a series of articles where we identify some of the common mistakes made when making an investment in China

Chris Devonshire-Ellis is the Senior Partner of Dezan Shira & Associates - www.dezshira.com



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State of the Market

Finance

Financial performance remained sound and stable in October, said the People's Bank of China (PBC), the country's central bank.

In October, the money supply increase quickened (see graph 1). During this month, a total of 72.3 billion yuan of cash was withdrawn from circulation, 34.3 billion yuan more than that in the same period last year.

At the end of October, the outstanding

earlier period. Of this total, deposits from households and non-financial institutions reached 16.95 trillion yuan and 15.3 trillion yuan, increasing 14.5 percent and 15 percent, respectively, over the year-earlier period.

Among the total renminbi deposits, savings deposits arrived at 15.8 trillion yuan, a year-on-year increase of 15.5 percent, 0.5 percentage points lower than the rate in the previous month and the lowest since April 2005. In October, renminbi savings deposits

was 0.2 percentage points higher than the rate a year ago. From January to October, demand deposits from corporations increased 704.6 billion yuan, 601.5 billion yuan more than the figures in the same period last year.

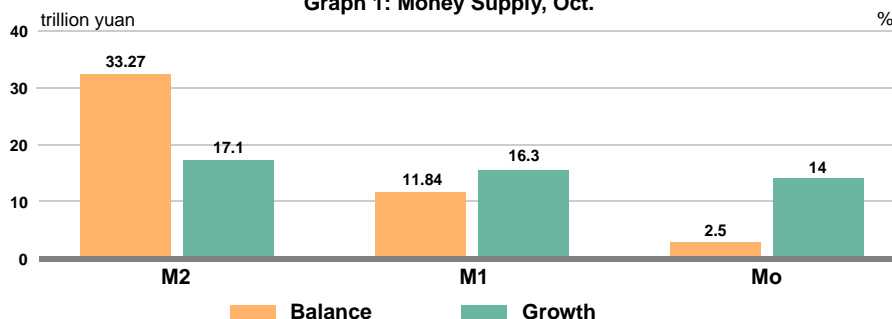
In October, transactions in the inter-bank market amounted to 3.37 trillion yuan. Every day, transactions stood at 187.3 billion yuan, soaring 73.6 percent, or 79.4 billion yuan, compared with the same period last year.

Price

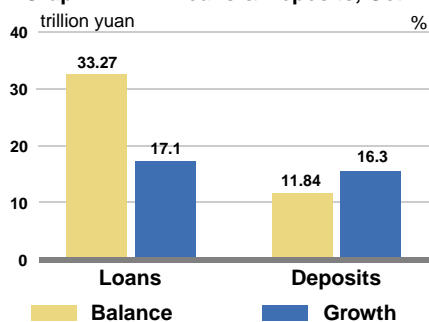
CPI In October, the consumer price index (CPI) was 1.4 percent higher than that in the same period last year, said the National Bureau of Statistics (NBS). The CPI rose 1.4 percent in urban areas and gained 1.3 percent in rural areas year on year. On a monthly basis, the CPI inched up 0.1 percent from September. From January to October, the CPI rose 1.3 percent compared with the same period last year.

By category, the price of food increased 2.2 percent while that of non-food products went up 1 percent from a year ago. Prices of consumer goods and services grew 1.4 per-

Graph 1: Money Supply, Oct.



Graph 2: RMB Loans & Deposits, Oct.



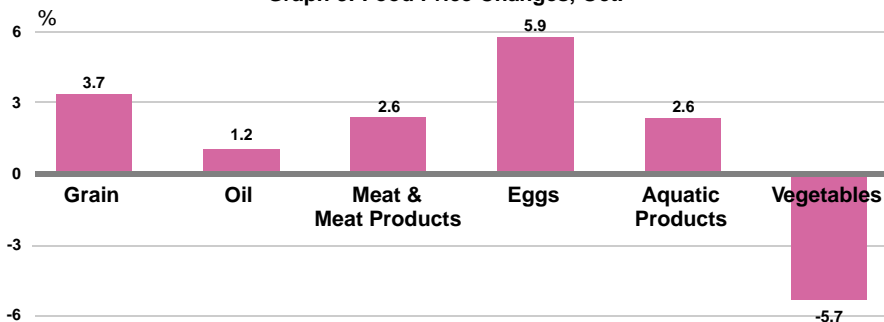
renminbi and foreign currency loans among all financial institutions stood at 23.39 trillion yuan, up 14.4 percent compared with the year-earlier period (see graph 2).

Among the total renminbi loans, those from households and non-financial institutions increased 19.1 percent and 14.4 percent, respectively, year on year.

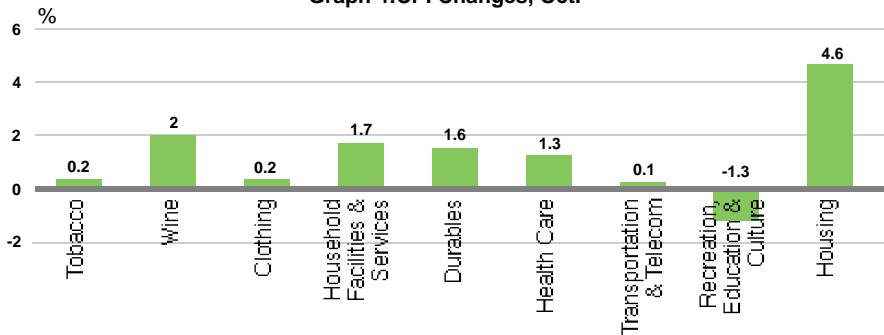
In October, 17 billion yuan of renminbi loans were added to the balance, 9.4 billion yuan less than the figure in the same period last year. Of them, newly increased medium- and long-term loans stood at 83.8 billion yuan, 31.9 billion yuan more than in the same period last year, while short-term loans and paper financing saw a decline of 70.5 billion yuan.

The month-end outstanding renminbi and foreign currency deposits of all financial institutions arrived at 34.21 trillion yuan in October, gaining 16.3 percent over the year-

Graph 3: Food Price Changes, Oct.



Graph 4: CPI Changes, Oct.



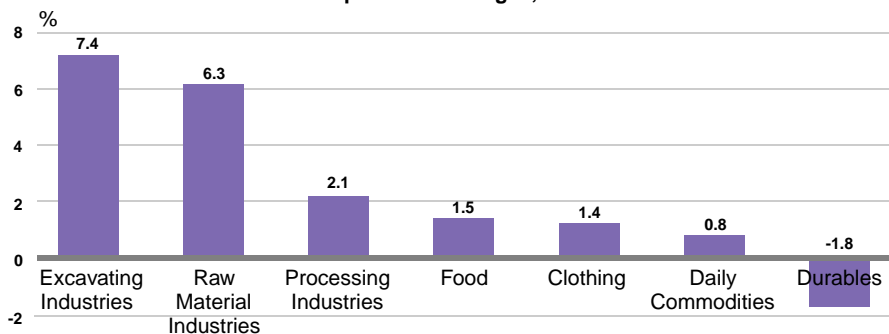
dropped 7.6 billion yuan, decreasing for the first time since June 2001. With active transactions in the stock market, part of the savings deposits were invested into the stock market.

The month-end renminbi deposits from corporations registered an increase of 15.6 percent to 10.7 trillion yuan. The growth

cent and 1.5 percent, respectively, year on year (see graphs 3 and 4).

PPI In October, the producer price index (PPI) for manufactured goods increased 2.9 percent from a year ago, said the NBS. Of the total, purchasing prices of raw materials, fuels and power jumped 5.6 percent year on year.

Graph 5: PPI Changes, Oct.



Producer prices of capital goods registered a growth rate of 3.8 percent over the year-earlier period, while those of consumer goods inched up 0.6 percent compared with the same period last year (see graph 5).

In October, producer prices of crude oil went up 9.2 percent over a year ago.

Among refined oil products, prices of gasoline, kerosene and diesel edged up 14.7 percent, 13.2 percent and 11.7 percent, respectively, year on year.

During this month, producer prices of raw coal climbed 2.7 percent from a year ago. Prices of smelting and pressing of ferrous metals saw a decline of 0.8 percent compared with the same period last year, while those of smelting and pressing of non-ferrous metals went up 27.1 percent year on year.

In October, purchasing prices of fuel power, non-ferrous metal materials and chemical materials grew 6.9 percent, 37.4 percent and 3.4 percent, respectively, year on year, while those of ferrous metal materials slid 0.8 percent from a year ago.

In the first 10 months, the PPI went up 2.9 percent compared with the same period last year and purchasing prices of raw materials, fuels and power climbed 6.2 percent over a year ago.

Beijing-HK Cooperation

The 10th Beijing-Hong Kong Economic Cooperation Symposium was held on November 15-16 in Hong Kong to further boost development of economic relations between the two parties.

Hong Kong has been the largest overseas investment source to Beijing. By the end of June 2006, 8,370 Hong Kong-invested enterprises had been established in Beijing with the paid-in capital of \$7.68 billion. Meanwhile, Beijing has invested 63 enterprises in Hong Kong with the commitment of \$290 million.

Hong Kong is also the second largest export destination of Beijing. In 2005, trade volume between Beijing and Hong Kong stood at \$4 billion, soaring 94.3 percent year on year. Of the total, Beijing exported \$3.15

billion worth of goods to Hong Kong, 1.4 times the figures in the previous year.

In the tourism sector, there were 313,900 Hong Kong tourists visiting Beijing in 2005 and at the same time, the number of Beijing tourists to Hong Kong kept double-digit growth.

The symposium also aimed to promote cooperation between the two parties in the financial industry.

Heavy Oil

China produced 23.86 million tons of heavy oil last year, representing 13.2 percent of the country's oil output, said Jia Chengzao, Member the China Academy of Sciences.

Heavy oil, a catchall term for oil shale, oil sand, natural asphalt and natural gas hydrate, is becoming an increasingly important substitute for conventional energy resources in China. Production is increasing and technological advancement is helping to reduce exploitation costs.

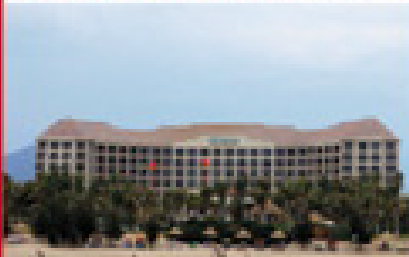
New policies will be formulated to encourage the exploitation of unconventional oil and gas resources to ease China's energy shortages, said Ma Kai, Chairman of the National Development and Reform Commission. Developing unconventional oil and gas resources has been included into the country's 11th Five Year Plan (2006-10) as a necessary measure to meet a voracious demand for energy.

China boasts abundant heavy oil resources and "has discovered a total of 70 heavy oil fields in 12 basins after 50 years of exploration," said Zhao Xianliang, an official with the Ministry of Land and Resources.

Zheng Hu, Vice President of the China National Petroleum Corp., said that China has 19.8 billion tons of onshore heavy oil and asphalt reserves, which account for 20 percent of the country's total petroleum reserves.

Meanwhile, the country has 47 billion tons of oil shale reserves, with 16 billion tons exploitable, and has 6 billion tons of oil sand reserves, with half of them exploitable. ■

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Is the Government Entitled to Sell the Rights To Place Names?

Wuhan Municipal Civil Affairs Bureau has decided to expand channels to finance the management of place names. In October, it announced that naming rights of selected places in the central China city are to go under the hammer and be sold to the highest bidder.

In accordance with newly published regulations, the Wuhan local government will be paid by companies after they are granted the right to name such public facilities as streets, flyovers and squares, as well as residences and high-rise buildings. One stipulation says that the list of places covered must be facilities that are new or have not been named.

Place naming can be carried out in two ways. If only one company is interested, the naming right may be granted through negotiation between the company and the government; if more than one is interested in naming rights, that right is to be auctioned. Besides, if a company offers to finance road construction, the road is to be named after the sponsor.

According to the regulations, naming can include the particular company's name or brand names, but people's names, or those that may affect social stability, are not permitted. There is also a time limit for naming rights, that is names will be used for 15-20 years and then be auctioned again.

The practice of paying for naming rights has already been carried out in nearly 20 cities around China like Qingdao, Shenzhen and Changchun. Some sociologists believe this practice should be moderately encouraged, as it increases funds available for public facilities and adds to involved companies' reputation.

Nevertheless, opponents point out that when making the decision, local officials seemed to forget that the names of public places are also public assets, which belong to all of the people. They argue that the government is entrusted by the people to manage these special public resources, so it actually does not have the right to auction the naming rights. Moreover, when the naming rights for certain places expire, there would be a new name to replace it. Frequent renaming will trouble those who have to con-

tend with regularly learning a new name for their local park, for example.

Many benefits

Cao Yusheng (Director of Wuhan Place Name Management Commission):

Place names are public resources, but they will always remain potential resources if not transformed into tangible ones through such practice as companies paying for the naming rights. When the government is paid by transferring the naming rights, more investment in public facilities will be possible, to the benefit of the whole society.

When conducting the business, we'll be very careful. Not all place names are to be auctioned. Names that are of historical and cultural significance to Wuhan and those that local people identify as part of their lives will not be involved. Second, names to be used must be sound and Chinese. Foreign names are forbidden. Only companies with good reputation will be considered and vetted.

Also, according to the Regulations on Place Name Administration issued by the State Council, people's individual

names are not permitted to be used as place names.

Revenues from the auction will all be turned over to financial departments for place name management. The government actually can receive no extra benefits from the practice.

Lei Hui (hlj.rednet.cn): I think the practice of paying for naming rights is acceptable, as it is a typical example of "Pareto improvement." A central theory in economics terms, "Pareto improvement" means a change that makes somebody better off and nobody worse off. Who is to benefit from the naming right auction? First is businesses involved, as they'll become better known, thus gaining more in economic returns; second is the government, as the auction will surely bring it a large amount of revenue. Will this practice cause harm? In this equation the only party that is likely to be subject to losses is the public, so let's have a look whether the public rights will be affected.

Before the new naming system is adopted, the naming rights did not belong to the people, but to the local government; with the new system, the rights do not belong to the public either, but to the buyers. At no point will the basic function of place names—such as the indication of directions—be changed whether it's named by the government or companies. As for the historical and cultural significance of a place name, it must be admitted that the government always pays more attention to people's feelings in this regard while com-



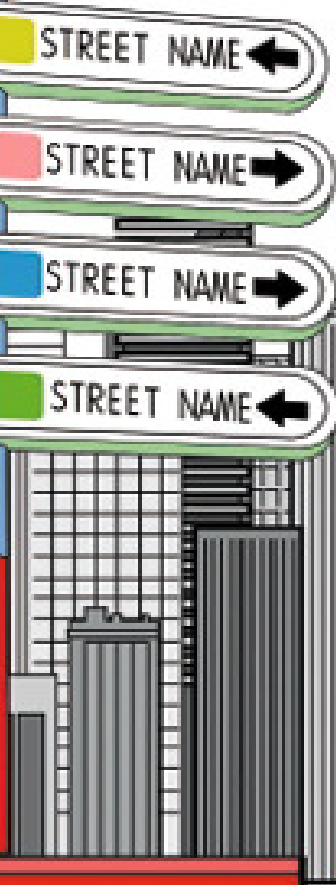
panies may not. This could be the only flaw in the new system.

Nevertheless, people's feeling toward their city won't be hurt, as not all the names are to be auctioned, especially those that represent the history and cultural features of Wuhan. And also not all companies are allowed to participate except for those with good reputation.

I cannot see any harm in adopting the new naming system, so why are there so many critics?

Chen Cai (hlj.rednet.cn): The new naming system is criticized as a "power-for-money" deal. What is this? Simply put it means to trade power for huge benefits. In the case of naming right transfer, if companies are able to gain the rights at a much lower cost than they now have to pay, just by bribing officials, and the funds all fall into the pockets of the government staff, then it might be right to accuse the government's practice of being illegal. But in reality, the right transferring is a transparent process and the government is just performing its obligations in regulating the process. Furthermore, the local government has also announced that revenues will be turned over to financial departments as naming management fees. To some extent, the new naming system is an effective way to avoid power-

for-money trade, rather than the opposite.



Place naming right is an important part of urban resources. To auction the right is based on market rules, if handled properly, it will bring benefits not only to urban construction but also to the improvement of local people's welfare. Of course, standardizing the process is important.

Unacceptable

Dongfang Yan (www.xinhuanet.com):

To fully tap public resources is undoubtedly wonderful, but while doing so, public interests are not supposed to be impaired. As far as the new naming system is concerned, it is feared that short-term benefits may lead to the loss of the public's long-term interests and behind the naming right issue is actually the conflict between government interests and public interests.

In what aspects will public interests be hurt? Most importantly, to empower companies in place naming will affect

the symbolism and heritage of history and culture in a city. Apart from this problem, people and businesses will need to frequently mention these new names, which they may be unwilling to do. In other words, together with the naming rights the government is also selling the freedom of locals as they are forced to mention certain companies' names every day.

There does exist conflict between government interests and public interests, as the decisions rest in the hands of the government, and under the camouflage of "public resources for society", the public's say is stifled.

We are trying to build up a transparent and people-oriented government, which is expected to put public interests first. While handling public resources, the government must keep it in mind that its obligation is to offer services rather than directly performing the decision-making right against people's will. The government should practice its decision-making right after fully consulting the people and should always try to safeguard the public's legitimate rights and interests. Moreover, the public should be granted the right to say "no" when it comes to public resources.

Yang Wenhao (www.people.com.cn): In my opinion, the key to the problem does not lie in whether naming rights can be sold

or not, but in how it is sold. As public resources, place names are closely related to people's everyday life. The names come into being thanks to the public's recognition and become popular owing to its spread among the people. Hence, it depends on the public whether naming rights should be sold or not.

The administrative power is not supposed to make the decision, as the right belongs to the people's congress—the public's representative institutions. The government is not the owner of public resources, so if it wants to make use of public resources for profits, it must act in accordance the Constitution and laws, together with the permission from the people's congress.

My question is: Is the Wuhan local government entitled to adopt the new naming system? Is this system endorsed by the people's congress? Is the

decision made on the basis of full discussion among local people?

Cao Lin (www.hebei.com.cn): Some believe that without auctioning names, full use is not being made of public resources. And if the auction can not only increase financial revenues but also help to make the companies better known, why not do it? The problem is too much attention is paid to economic benefits, while local people's feelings are being overlooked. The practice of "places to be named after the wealthy" will seriously hurt people's feelings toward their home cities, making the city seem unfamiliar and unfriendly.

To urban residents, the city is not a simple combination of buildings and signs, but a series of names of bridges, streets, squares, etc. Every day, they see the names, mention them and pass by or stay in the places bearing these familiar names. That's why in many cities the people are asked for names of public buildings. In this way, a kind of cultural agglomerate takes shape as the public is actively involved in the whole process of place naming.

Naming right auctions, however, will cut the invisible cultural connection between the people and local place names, which is likely to further weaken their attachment to their home cities. ■

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: Should government relief recipients be restricted from using cellphones?

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

Editor: Pan Xiaoqiao

By TOM CARTER

Perhaps the single most reassuring fact about travel in the People's Republic of China is its remarkably low crime rate.

The Ministry of Public Security (MPS), the principal authority of domestic criminal procedures, earlier this year announced a 15 percent decline in violent crime (4.5 million reported cases for 2005), while common property infringement incidents such as theft, fraud and robbery, which account for 80 percent of all cases, rose by only 1 percent.

Cosmopolitan cities such as Beijing and Shanghai, which annually attract tens of millions of overseas visitors on business or holiday, applaud themselves for providing public order and relatively safe city streets where one can walk at just about any hour in relative safety.

But all is not necessarily quiet on the home front. In an uncharacteristically candid public admission, the MPS has reported a pandemic of illicit drug trafficking in China led by an increasing number of foreign crime syndicates, reportedly from the African regimes of Nigeria and Liberia and triads from neighboring Asian countries.

Moreover, violent crime on the southern shore is notoriously rampant in Guangdong, making it the only province in China's mainland to arm police with guns.

Nor is this to say that Westerners are entirely exempt from either being the victim of, or committing, more serious crimes.

I have found myself in several situations while traveling extensively throughout China. I fondly remember the street gang who confronted me in a darkened alley in Inner Mongolia, or facing off with a pickpocket in crowded Qianmen *hutong* in Beijing with a baying crowd of onlookers taking great delight in watching a 196cm *waiyuoren* vigilante.

Then there was that time in Chongqing.

The author is an American currently backpacking through all of China's provinces.

Keeping A Lid on Crime



ON THE RUN:
While crime is rising,
China is still safer than most

Not exactly heralded as a top tourist destination, the interior municipality of Chongqing, located on the rusty banks of the Yangtz River, uncannily resembles a lawless early-century port-of-call of maritime merchants, hardened dock laborers and waterfront brothels.

An overnight stay in a small hotel on the outskirts of China's largest, and hottest, city, turned into a midnight brawl after a polite request on my part to ask three obviously drunk men loitering in the hallway to settle down, was met with a hostile response.

A push on their part led to a not gentle shove on mine, sending one of the men flying back into his two friends. The next few moments were a feral blur, and for a short

time I laudably held my own. But six bare fists can infallibly do more damage than two. The tough guys retreated into the night, leaving me breathless and battered.

The police arrived thereafter and took me to the Public Security Bureau to get a statement. It was determined that the hotel security guards failed to serve their purpose, and it was also found that the hotel did not follow strict municipal protocol in copying the three perpetrators' identification cards before accommodating them, which would have assisted the police in their investigation.

This meant that it was my right under Chinese law to demand an immediate financial settlement from the hotel proprietor—for my troubles, you see—though it hardly made up for the bang up job those inebriated gentlemen did on me.

To be sure, the aforementioned incident is an isolated one, with a great majority of expatriates being lucky, or not, to see so much action during their stay in China ("I was overcharged!" seems to be the leading complaint).

With only one police officer for every thousand residents in a population of 1.3 billion, and more than 40 percent of mainland precincts having fewer than five officers, compounded with a general lack of funding, resources or state-of-the-art technology, China's police ought to be commended for maintaining an impressively low national crime rate.

Let there be no mistake: Xinhua News Agency has reported that there were twice as many reported criminal cases in 2005 than in 1990, and six times that of 1980. But compared to hyper-violent icons of the wild West such as Los Angeles and New York, it is no wonder that China is witnessing an increasing number of foreigners residing in its gleaming municipalities. China remains one of the statistically safest countries to visit, and the rest of the world would do well to take notice. ■

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