

NATION: A FLOOD OF CHALLENGES P.26 | BUSINESS: G20 TRADE MINISTERS MEETING P.36

# BEIJING REVIEW

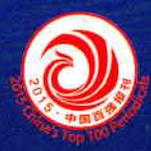
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## SMOOTH WATERS AHEAD

All hands needed on deck to defuse South China Sea tensions



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# The Ninth Kangba Art Festival, the Seventh Kangding International Love Song Festival and the Garze Mountain Tourism Festival

Garze Tibetan Autonomous Prefecture, Sichuan, China, 2016



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Cover Photo: A bird's-eye view of part of the South China Sea (SONG GUOQIANG)

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NATION

P.26 | Weathering the Storm

Severe floods test emergency response capabilities



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**Legal Counsel:** Yue Cheng

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

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

**General Editorial Office**  
**Tel:** 86-10-68996252  
**Fax:** 86-10-68326628

**English Edition**  
**Tel:** 86-10-68996250

**Advertising Department**  
**Tel:** 86-10-68995807

**E-mail:** ad@bjreview.com.cn

**Distribution Department**  
**Tel:** 86-10-68310644

**E-mail:** circulation@bjreview.com.cn

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Beijing 100044, China

**Tel:** 86-10-68413849, 1-416-497-8096 (Canada)

**Fax:** 86-10-68412166

**E-mail:** tj@mailto:bjreview.com.cn

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# EDITOR'S DESK

## Justified Rejection

The ruling of the South China Sea arbitration, which was unilaterally initiated by the now-defunct Aquino III administration of the Philippines, was announced on July 12. Immediately following the announcement, China's Foreign Ministry released a statement, denouncing it as a null and void award that China will never recognize or accept.

The subject matter of the arbitration concerns China's sovereignty over its territories in the South China Sea as well as the maritime delimitation between China and the Philippines. However, territorial disputes are not subject to the United Nations Convention on the Law of the Sea (UNCLOS). Also, China has declared in accordance with UNCLOS that it excludes maritime delimitation disputes from compulsory dispute settlement procedures. The *ad hoc* arbitral tribunal, allegedly established under UNCLOS, therefore should not have exercised jurisdiction over the case in the first place, let alone issued an award.

Nevertheless, by granting this award, the tribunal has damaged the authority of UNCLOS. It has also disregarded the legality of UNCLOS state parties' optional exemptions. Worse still, the tribunal has ignored the long history of China's sovereignty over the South China Sea Islands and the legitimacy of its rights and interests. The ruling, which denies China's

historic rights in the sea, gives the impression that it serves just one purpose—to undermine China's interests.

Such an arbitration award has no credibility. China's refusal to accept the award shows its commitment to safeguarding UNCLOS. A large number of countries around the world have voiced their support for China's rejection of the ruling.

In the eyes of Chinese observers, the South China Sea arbitration is a farce under the pretext of international law performed by the Philippines' previous administration as well as the United States. The observers claim that in order to stage this political theater designed to breach China's territorial sovereignty and rights and interests in the South China Sea, the two countries have gone so far as to trample on UNCLOS.

Regarding its territorial sovereignty as well as maritime rights and interests, China does not accept any means of third-party dispute settlement or imposed solutions.

China has had a consistent attitude toward the South China Sea issue. It adheres to the position of settling disputes through negotiation and consultation and managing differences through relevant rules and mechanisms. China endeavors to achieve mutually beneficial outcomes through collaboration. The country's position will not change after the arbitration. ■

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地址：北京市西城区百万庄大街24号 邮编：100037

编委会：李雅芳 李建国 黄卫 王燕娟 丁志涛 李振市 曹文萍

社长：李雅芳

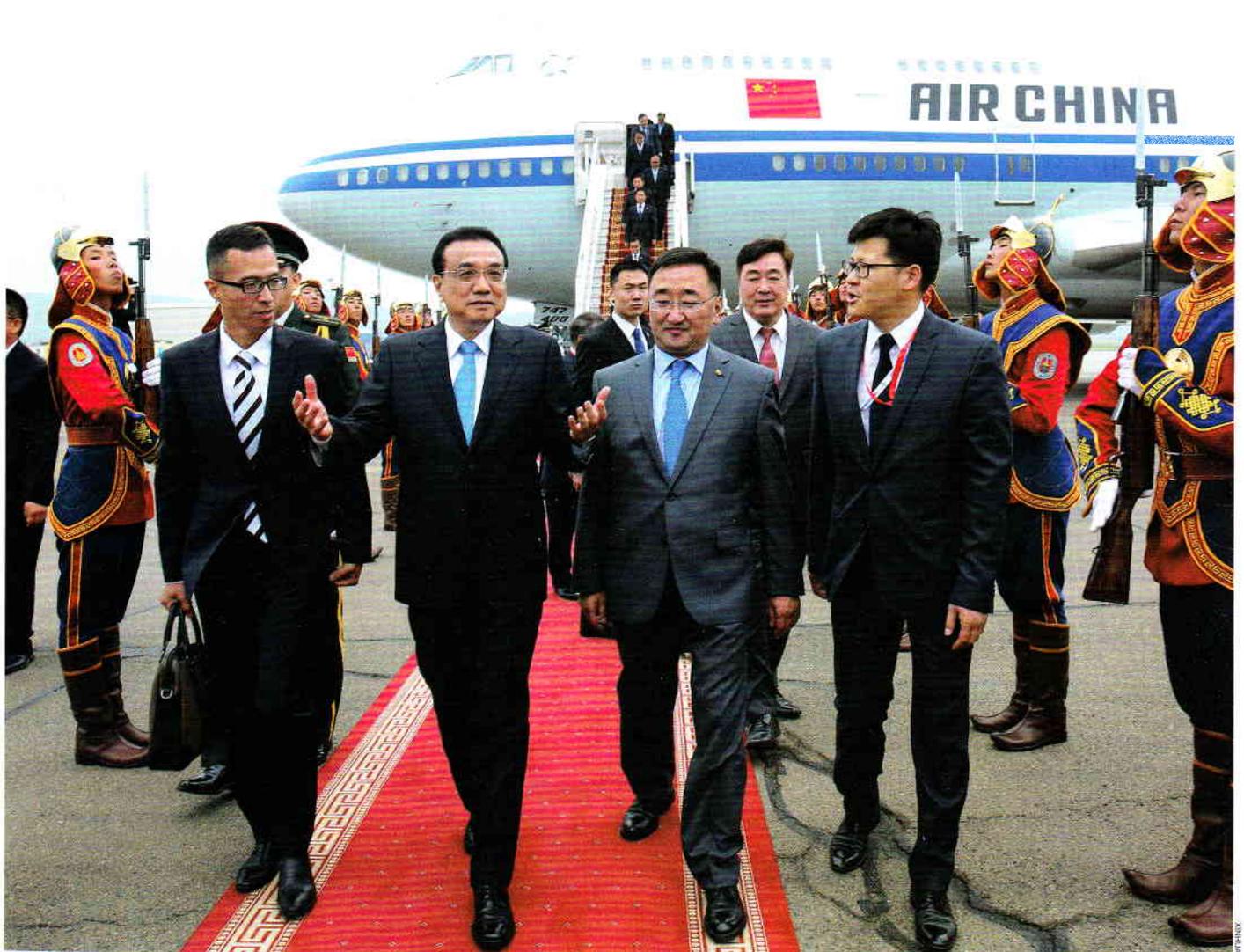
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## FOSTERING EXCHANGES

Premier Li Keqiang arrives in Ulaanbaatar, capital of Mongolia, on July 13 for an official visit and the 11th Asia-Europe Meeting (ASEM) Summit.

During his visit to Mongolia, the first by a Chinese premier in six years, a series of cooperation deals covering areas such as trade, infrastructure, finance and energy were signed between the two neighbors.

This year marks the 20th anniversary of the inauguration of ASEM, an intergovernmental forum aimed at cementing bonds between Asia and Europe. The 2016 summit focused on the theme of "20 Years of ASEM: Partnership for the Future Through Connectivity."



## Exploring the Deep Blue

Deep-sea exploration ship *Zhang Jian* sets sail on July 12 from Shanghai to engage in scientific research in the South Pacific Ocean.

During the two-month voyage, scientists will test the navigation abilities of the ship and its equipment in waters off the coast of Papua New Guinea.

## Crime Clampdown

Chinese authorities have decided on a one-year campaign against hospital-related crimes to protect medical personnel and institutions.

Starting this month, nine agencies, including the National Health and Family Planning Commission (NHFPC), the Ministry of Public Security and the Ministry of Justice, will focus on crimes committed in hospitals or against medical staff, according to the NHFPC.

The campaign sets out to improve order and safety in medical institutions, said NHFPC official Guo Yanhong.

Abuse and violence against medical staff, including fatalities and harassment at medical institutions,

have prompted similar campaigns since 2013.

Around 4,000 organizations have been set up to mediate medical disputes and have helped in 71,000 conflicts, with an estimated success rate of more than 85 percent.

Since 2013, medical disputes and hospital-related crimes have decreased, while doctor-patient relations have generally improved, the NHFPC said.

## Online Integrity

Eight Internet organizations and 52 Internet giants in China signed a commitment letter on July 6 promising to strengthen integrity and credibility by improving censorship as well as resisting online rumors.

The eight organizations include the Internet Society of China and China Internet Development Foundation, while the 52 Web companies include Alibaba, Sina, 58.com and Xinhuanet.com, the official website of Xinhua News Agency.

Representatives from the companies said that they will take measures to improve current work at an event organized by the Office of the Central Leading Group for Cyberspace Affairs.

The Internet companies promised to protect the interests of netizens, resist rumors and legally collect users' information, according to the commitment letter.

Ren Xianliang, deputy head of the office, said that joint efforts are needed from the government, social

organizations, Internet companies and users to clean up the Internet and ensure online integrity and credibility.

Also on July 6, the Cyberspace Administration of China and the Ministry of Public Security (MPS) co-launched an online platform for receiving tip-offs related to Internet scams in order to handle cases in a timely and uniform manner.

Chinese people have been vulnerable to Internet fraud in recent years, and the MPS has arrested a number of suspects amid the crackdown, said the ministry.

## Aging Population

There were 222 million people aged 60 or above in China at the end of 2015, 16.1 percent of the total population, the Ministry of Civil Affairs said on July 11.

The proportion marked an increase of 0.6 percentage points compared with the previous year, when China reported 212.4 million people aged 60 or above.

Of the 222 million, 143.86 million were 65 or above, or 10.5 percent of the total population, also up from the 10.1 percent in 2014, according to a ministry report.

Under international standards, a country or region is considered to be an "aging society" when the number of people aged 60 or above reaches 10 percent or more. China has had over 10 percent of people aged 60 or above since 1999.

The country has some 116,000 nursing homes holding about 6.727 million beds, with a year-on-year increase of 23.4 percent and 16.4 percent respectively. However, there are still only 30.3 beds for every 1,000 senior citizens.

The report also tallied up key figures in philanthropy, social welfare, disaster relief and other areas.

It said China registered 65.45 billion yuan's (\$9.8 billion) worth of donations in 2015 and offered benefits to more than 18.38 million people in need.

## Urban Jobless Rate

The registered unemployment rate in Chinese cities stood at 4.05 percent at the end of June, slightly up from 4.04 percent at the end of March, latest data showed.

China created 7.17 million new jobs in the first half of 2016, down by about only 10,000 from the same period of last year, according to the Ministry of Human Resources and Social Security.

The government aims to create 10 million new jobs this year. The new data shows that 71.7 percent of the task was completed in the first six months.

The registered unemployment rate is calculated based on the number of unemployed people who register with human resource authorities or employment service institutions.

## Water on the Rise

Groundwater in and around the Qinghai-Tibet Plateau is on the rise thanks to increased runoff from glaciers, precipitation, and administrative actions to restore groundwater, according to a report by Chinese and Swedish researchers.

Groundwater has risen in the Jinsha River basin, Nujiang-Lancangjiang rivers source region, the Yangtze River source region, Yellow River source region, Qaidam Basin and the Qiangtang Nature Reserve, said the report, published in the journal *Earth and Planetary*

*Science Letters*.

Scientists with the Chinese Academy of Sciences (CAS), Swedish Land Survey Authority, and the University of Hong Kong's Department of Earth Sciences used satellites to monitor changes in groundwater storage in the plateau and its surroundings from 2003 to 2009.

"Understanding the changes in groundwater is key to the use and control of water resources in the plateau," said Wang Hansheng, a researcher with the Institute of Geodesy and Geophysics under the CAS.

The government could use the research findings to plan farming, herding, engineering projects, prevent geological disasters and explore geothermal resources, Wang said.

## Traffic Law

China's top legislature will start a nationwide inspection on the enforcement of the Road Traffic Safety Law.

Four teams of senior lawmakers will be dispatched to eight of the country's provincial-level regions in August and September, including Beijing as well as Zhejiang, Jiangxi and Shandong provinces, according to a statement from the National People's Congress (NPC) Standing Committee on July 12.

The NPC Standing Committee gave the remaining 23 provincial legislatures permission to manage



## New on the List

The 40th session of the World Heritage Committee opens on July 11 in Istanbul, Turkey.

Hubei Shennongjia and Zuojiang Huashan Rock Art Cultural Landscape from China have been nominated as world heritage sites and will be examined among a total of 29 sites from the world.

their own inspections.

Fatal road accidents are a serious problem in China, as the highway network and the number of new drivers and vehicles expand rapidly and traffic laws are regularly flouted.

The average annual increase of new vehicles and drivers hit 15 million and 20 million since the Road Traffic Safety Law went into effect 12 years ago. Meanwhile, the number of

road deaths accounts for more than 80 percent of fatalities in all kinds of accidents.

Road safety not only concerns people's lives and property, but also economic and social development, said Wang Shengjun, Vice Chairman of the NPC Standing Committee.

The inspection teams will produce a report on the implementation of the law and submit it to the NPC Standing Committee in December.



## Population Issue

Representatives of Beijing residents unveil a series of activities for the World Population Day on July 11.

World Population Day, which falls on July 11 every year, was established by the Governing Council of the UN Development Programme in 1989. The theme of this year is "Investing in Young People."

## Price Indexes

China's consumer price index (CPI), a main gauge of inflation, grew 1.9 percent year on year in June, the National Bureau of Statistics (NBS) announced on July 10.

The June data slowed from a 2-percent growth registered in May and dropped for the second consecutive month from 2.3 percent in April.

The CPI grew 2.1 percent in the first half of 2016, while the annual target was set around 3 percent.

NBS statistician Yu Qiumei attributed the moderate inflation mostly to eased food prices, which increased 4.6 percent year on year in June, slowing from 5.9 percent in May.

Since January, CPI has been calculated using a new comparison base and included more products and services and slightly reduced the weight of food.

China's producer price index (PPI), which measures costs for goods at the factory gate, slid 2.6 percent year on year in June.

The PPI decline narrowed from a 2.8-percent decrease in May, with industrial product prices slightly rebounding for the past six months consecutively on an annual basis.

However, the June reading still marked the 52nd straight month of decline as China's economic slowdown and industrial overcapacity weighed on prices.

The PPI dropped 3.9 percent

year on year in the first half of 2016.

Although the condition of the commodity prices continued to improve, industrial product prices are unlikely to recover substantially as domestic demand remained weak, said HSBC chief China economist Qu Hongbin.

## Foreign Trade

China's foreign trade in yuan-denominated terms went down 3.3 percent year on year in the first half of this year to 11.13 trillion yuan (\$1.66 trillion), with exports down 2.1 percent and imports down 4.7 percent, data from the General Administration of Customs (GAC) showed on July 13.

GAC spokesman Huang

Songping said that according to some leading indicators, China's exports may face "relatively big downward pressure" in the third quarter as global demand looks set to remain sluggish.

In the first half of the year, exports to the EU, China's largest trading partner, went up 1.3 percent, while exports to the United States and ASEAN—its second and third largest trading partners—dropped 4.6 percent and 2.9 percent, respectively.

However, exports to countries along the Silk Road Economic Belt and the 21st-Century Maritime Silk Road were on the increase during the same period. China's exports to Pakistan, Russia, Bangladesh, India and Egypt climbed 22.5 percent, 16.6 percent, 9 percent, 7.8 percent and 4.7 percent, respectively.

Private enterprises still maintained the first position in terms of exports. In the first half of the year, privately owned companies registered 4.31 trillion yuan (\$645 billion) in imports and exports, up 5.1 percent year on year, accounting for 38.7 percent of the country's total foreign trade volume.

Beyond all that, China's exports in yuan-denominated terms rose 1.3 percent year on year in June, while imports went down 2.3 percent.

## Foreign Investment

Foreign direct investment (FDI) into the Chinese mainland rose 9.7 percent year on year to \$15.23 billion in June, the Ministry of Commerce (MOFCOM) said on July 12.

This figure came against a 1-percent decline registered in May.

In the first half of 2016, FDI, which excludes investment in the financial sector, rose 5.1 percent year on year to \$69.42 billion, with the growth rate accelerating from 3.8 percent registered in the first five months, according to the MOFCOM.

The service sector attracted \$48.94 billion worth of FDI from January through June, 8 percent more than in the same period of last year and representing 70.4 percent of the total.



## New Energy Expanded

Solar panels operate on mountains in Qinglong County, north China's Hebei Province, on July 11.

The Hebei Provincial Government has been committed to pushing forward the development of clean energy. By the end of June 30, the installed capacity of the new energy generation in the northern part of Hebei had reached 11.26 million kw.



## China-Russia Expo

Visitors are at the booth of China's Yingkou Port at the Third China-Russia Exposition in Yekaterinburg, Russia, on July 11.

The five-day expo, opened that day, showcased products, technology and projects in sectors such as equipment manufacturing, agriculture, forestry, finance and tourism. The annual event was held in Russia for the first time.

FDI into the manufacturing sector declined 2.8 percent during the same period to \$19.53 billion, accounting for 28.3 percent of the total.

Among China's major investors, FDI from the United States soared 136 percent year on year in the first half, while that from Britain and Germany rose 105.3 percent and 90.3 percent, respectively.

## Chinese Planes in Demand

The first China-made regional passenger jet, the ARJ21-700, received 90 new orders at Britain's Farnborough International Airshow, the Commercial Aircraft Corp. of China (COMAC) said on July 12.

China Aircraft Leasing Ltd. has signed to acquire 60 ARJ21 aircraft for around \$2.3 billion. This is the largest order of the aircraft since it

started commercial operations on June 28. One of the leasing firm's investors, Friedmann Pacific Asset, will invest in an Indonesian-based airline and help build up its ARJ21 fleet.

Meanwhile, the Aviation Industry Corp. of China Leasing Co., or AVIC Leasing, signed a purchase agreement for 30 ARJ21 aircraft with COMAC at the air show, which ended on July 10.

The 90-seat regional jet has received around 400 orders.

COMAC attended the air show for the fourth time this year to present the development progress of the ARJ21 and the China-made single-aisle C919.

## Theater Acquisition

AMC Entertainment, a U.S. chain owned by Chinese conglomerate Wanda Group, announced on July 12 that it has entered into a defini-

tive agreement to acquire leading European cinema operator Odeon & UCI Cinema Group.

The deal is valued at approximately 921 million pounds (\$1.2 billion). Odeon & UCI is currently owned by private equity firm Terra Firma, and had 243 cinemas and 2,238 screens as of December 2015.

Odeon & UCI operates in four major markets: Britain, Spain, Italy and Germany, as well as three smaller markets: Austria, Portugal and Ireland.

AMC said that the combination of AMC and Odeon & UCI will result in AMC's operation of 627 theaters and more than 7,600 screens in eight countries.

## Green Electricity

Northeast Chinese provinces should rebalance their demand and supply of power, better managing the wind power supply and cutting air

pollution by 2020, China's energy regulator announced on July 11.

The northeastern region has been generating too much power in recent years which has seriously contributed to pollution, a statement from the National Energy Administration (NEA) pointed out.

The NEA urged the region to cancel or postpone coal-fired power generation projects with a joint capacity of over 7.5 million kw. Areas with an energy waste rate higher than 20 percent should stop new projects.

An 800-kw direct current power transmission project will be completed in 2017 to send the region's power to other parts of the country, according to the statement.

The NEA encouraged the region to use electricity to replace coal and oil to provide heat and in industrial or agricultural production.



## Light, But Strong

Visitors look at an aircraft made of aluminum during the Aluminum China 2016 Exhibition at the Shanghai New International Expo Center on July 12.

The expo kicked off that day, attracting more than 400 enterprises in aluminum industry from over 30 countries and regions.



## THE UNITED STATES

Twice a year, the sunset in Manhattan, New York City, lines up with the east-west axis of the street grid, creating a beautiful visual effect, shown here on July 11



## THE UNITED KINGDOM

Theresa May is kissed by her husband, Philip, on July 11 after receiving the news that she will lead the Conservative Party and the nation



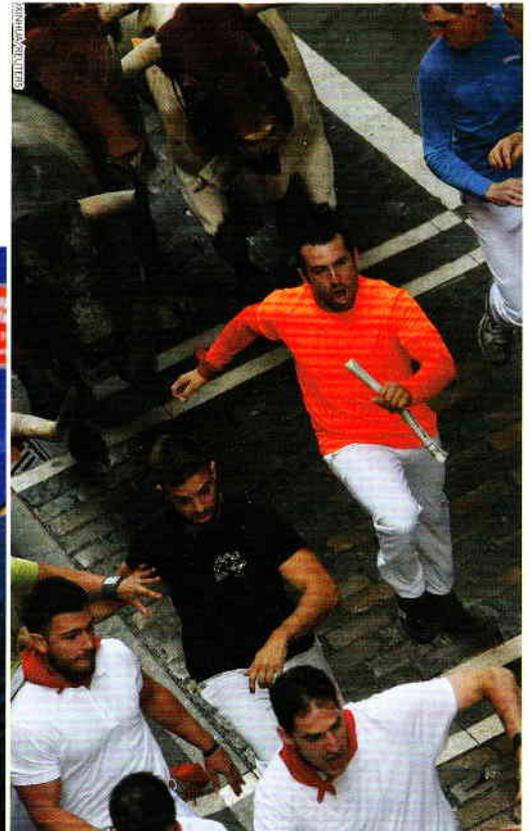
## SOUTH SUDAN

Displaced people prepare for evacuation at a UN refugee camp in the capital Juba on July 12 due to the eruption of heavy fighting in the city again after a short period of ceasefire



## POLAND

At the NATO Summit held in Warsaw, NATO Secretary General Jens Stoltenberg (front left), German Chancellor Angela Merkel, and French President François Hollande (front right) watch an air show on July 8



## SPAIN

At the festival of San Fermín in the city of Pamplona, thousands of people run alongside and in front of the bulls



## COLOMBIA

Venezuelans cross the border between their country and Colombia to reach the city of Cucuta after the border reopened on July 11 for the first time in 10 months

## NEW IMF DEPUTY MANAGING DIRECTOR

**Zhang Tao**, Vice Governor of the People's Bank of China (PBOC), has been recommended to serve as the next deputy managing director of the International Monetary Fund (IMF), effective from August 22, the organization's Managing Director, Christine Lagarde, has recently announced. Zhang will replace Zhu Min, also from China, who will retire this month.

Zhang took up his current post at the PBOC, China's central bank, in May. Prior to the promotion, he was head of the bank's Department of Treaty and Law. Zhang holds bachelor's and master's degrees from the prestigious Tsinghua University and a PhD in international economics from the University of California, Santa Cruz.

An expert in macroeconomics and financial policy, he served as executive director for China at the IMF from 2011 to 2015. He also worked as an economist at the World Bank in 1995-97 and at the Asian Development Bank in 1997-2004.



## Regulating Webcasting *Qianjiang Evening News* July 8

The Ministry of Culture is taking steps to supervise the thriving webcasting market. In early July, it issued a notice vowing to put live online performances under closer scrutiny by carrying out regular spot checks.

Over the past year or so, webcasting has gained traction in China. However, some have used such means to stage sensational performances or to wear revealing clothing to attract views. For instance, two men in Shandong Province dressed themselves up as clowns and broadcast themselves running after people with knives in their hands, making local residents believe that they were committing homicide. Such unethical prac-

tices have triggered a public outcry.

Live webcasting is intended to enable the audience to experience something they have never seen before in person, such as art exhibitions. As the video footage is often unedited, it shows a more truthful side of reality. This is where the charm of online broadcasting lies and also among the reasons for its explosive growth.

However, webcasters should be responsible when deciding what will be shown. The practice shouldn't go against the law or cause harm to society. Live-streaming platforms should also tighten supervision over their users in order to prevent illegal practices.

The notice published by the Ministry of Culture represents the government's strengthened oversight of the industry. Only when being subject to strict rules can online broadcasting enjoy healthy development.

## Water Resource Scramble

*Oriental Outlook*  
June 30

The nine provinces and autonomous regions in northern China that run alongside the Yellow River have been engaged in a heated battle for a larger share of the water resources provided by the river.

A discrepancy between the river's water supply and the demand of the regions along the river has become increasingly serious. Since the late 1990s, the water demand along the Yellow River has increased by 4 billion cubic meters. In contrast, the runoff volume of the river has shrunk from 58 billion cubic meters 20 years ago to 53.5 billion cubic meters at present. The regions have to hold a meeting every year to distribute water resources.

Water is a crucial natural resource. Without water, areas along the Yellow River wouldn't be able to develop their economy and eliminate local poverty. Some regions have pinned their hope on the western route of the South-to-North Water Diversion Project. However, this route, meant to channel water from the upper reaches of the Yangtze River to the upper reaches of the Yellow River to address water scarcities in northwest China, has been shelved for certain reasons.

One possible solution may be to restrict

**"Overcapacity in the port industry is a headache that we must deal with during the 2016-20 period."**

**Wang Shouyang**, Director of the Center for Forecasting Science at the Chinese Academy of Sciences, cautioning against redundant port construction in China following the release of the center's annual forecast on the world's top 20 container ports on July 12

**"The memorandum of understanding between Dubai South and Huawei will see the deployment of Huawei's smart-city and safe-city solutions to provide enhanced services to residents and businesses in the park."**

**Colin Hu**, Managing Director of Huawei Enterprise, speaking on July 12 about the signing of a memo on introducing the Chinese technology giant's services to the Dubai South Business Park Free Zone



the construction of new industrial projects in places with inadequate water resources. The Ministry of Water Resources and the National Development and Reform Commission are drafting a set of guidelines stipulating that new industrial parks or bases will not be approved in areas where water resources are insufficient.

## Upgrading the Bicycle Industry

**Economic Daily**  
July 8

Premier Li Keqiang urged the domestic bicycle industry to come up with new products and services catering to the customized demands of individuals while visiting an experience shop of Flying Pigeon, a Tianjin-based bike company, recently. He rode a smart bike equipped with functions such as music display, communication as well as health data monitoring. Flying Pigeon produced China's first bike in 1936.

Bicycles used to be important tools for transportation in China. Now, however, traditional bicycles are losing their appeal and being replaced by automobiles and electric bikes. Without innovation and transformation, the bicycle industry will have difficulty surviving.

The low-carbon and environmentally friendly lifestyle which has become increasingly popular presents opportunities for the industry. The large population in China has also provided it with a huge market and great potential. The bicycle industry should try to promote its products by spreading the concept of a low-carbon lifestyle and cycling culture.

The industry should stimulate demand through the improvement of product quality and technological innovation. The spirit of craftsmanship advocated by Premier Li should also be observed. Meanwhile, product categories should be more diverse and more famous brands should be cultivated.

### ↓ EX-GENERAL PROBED FOR CORRUPTION

**Tian Xiusi**, 66, a former general of the People's Liberation Army (PLA), has been placed under investigation on suspicion of serious violations of discipline.

A military anti-graft department is looking into his case and will investigate suspected violations of Party regulations. His wife and secretary are also under investigation.

Tian joined the military service in northwest China's Xinjiang Uygur Autonomous Region in 1968. He worked his way up to political commissar of the Xinjiang Military Area Command in 2004. Subsequently, Tian worked as political commissar of the Chengdu Military Area Command and as political commissar of the PLA Air Force. After retiring from the military in 2015, he served as deputy head of the Foreign Affairs Committee of the National People's Congress, China's top legislature.

Tian is one of the most senior military officials to be investigated under the ongoing anti-corruption campaign since 2012.



**“China firmly opposes the deployment of the Terminal High Altitude Area Defense (THAAD) system in the Republic of Korea (ROK) and strongly urges the United States and the ROK to halt the process.”**

Foreign Ministry spokesman **Lu Kang**, in response to plans to deploy the U.S. anti-missile defense system in the ROK's southeastern region, at a press conference on July 13

**“It is the most significant achievement in Tibetan cultural history and it meets the pressing needs of scholars as well as the common people.”**

**Thubten Nyima Rinpoche**, a renowned Tibetan scholar, speaking on the recent publishing of a new 2,100-year Tibetan calendar book, compiled by more than 40 experts based on the centuries-old Tibetan method of calculating years



COVER STORY

# A WAY THROUGH THE SOUTH CHINA SEA

**Bilateral talks are the mechanism for settling regional maritime disputes**

By Yu Lintao



A Hainan Airlines passenger plane touches down for the first time on a runway on Meiji Reef in the South China Sea on July 13

“For many generations, my ancestors lived on fishing. With *Geng Lu Bu*, they reached the Nansha, Xisha and Huangyan islands.”

—Zheng Qingzhi, Vice Mayor of Qionghai City, Hainan Province

by them and their ancestors have become the “exclusive economic zone” of another country.

### Untenable verdict

China has declared that the award is null and void and has no binding force.

Lou Chunhao, a researcher on maritime issues with the China Institutes of Contemporary International Relations (CICIR), noted that the arbitration process is full of legal loopholes. The tribunal failed to take into account historical relics on the islands, and its objectivity is questionable.

According to Hou Yi, a researcher with the Institute of China Borderland Studies under the Chinese Academy of Social Sciences, books published in the 19th and 20th centuries by Japanese, British and U.S. scholars mentioned the work of Chinese fishermen on South China Sea Islands, the wells they dug and the coconut trees they planted. Chinese tombs and temples were also seen on the islands.

The South China Sea Islands—including the Dongsha Islands, the Xisha Islands, the Zhongsha Islands and the Nansha Islands—constitute inseparable parts of China’s territory.

China has held sovereign jurisdiction over the water’s islands and reefs for 2,000 years as evidenced by ancestral properties that have been passed down for generations.

According to the Chinese Government’s recently published white paper titled *China Adheres to the Position of Settling Through Negotiation the Relevant Disputes Between China and the Philippines in the South China Sea*, China was the first country to discover, name, explore and exploit the South China

**G**eng Lu Bu (*Manual of Sea Routes*), handed down since the Yuan Dynasty (1271-1368), was one of the major guides used by Zheng Qingzhi’s great grandfather to sail on the South China Sea. Zheng is vice mayor of Qionghai City in south China’s Hainan Province, and his great grandfather was captain of a fishing vessel during the Qing Dynasty (1644-1911).

“For many generations, my ancestors lived on fishing. With *Geng Lu Bu*, they reached the Nansha, Xisha and Huangyan islands,” Zheng told reporters.

Historically, such fishing trips could last up to half a year, landing on islands like Taiping, Zhongye and Ganquan, where fresh

water was available. Wells dug by long-forgotten Chinese fishermen can still be found today.

Some fishing families still retain handwritten copies of *Geng Lu Bu*, yellowed with age, even though traditional fishing methods have long been supplanted by modern practices.

The traditional life of Chinese fishermen in the region is now under greater threat following the announcement of an award by an *ad hoc* arbitral tribunal in a case concerning the South China Sea unilaterally initiated by the Philippines, the outcome of which is likely to infringe upon the rights of Chinese fishermen whose families have lived in the region for generations. Many such fishermen find the award unbelievable and wonder why the waters fished for centuries

Based on the practice of the Chinese people and the Chinese Government in the long course of history and the position consistently upheld by successive Chinese governments, and in accordance with national law and international law, including the United Nations Convention on the Law of the Sea, China has territorial sovereignty and maritime rights and interests in the South China Sea, including, *inter alia*:

- China has sovereignty over Nanhai Zhudao (South China Sea Islands), consisting of Dongsha Qundao (Dongsha Islands), Xisha Qundao (Xisha Islands), Zhongsha Qundao (Zhongsha Islands) and Nansha Qundao (Nansha Islands);
- China has internal waters, territorial sea and contiguous zone, based on Nanhai Zhudao;
- China has exclusive economic zone and continental shelf, based on Nanhai Zhudao;
- China has historic rights in the South China Sea.

(Source: Statement of the Government of the People's Republic of China on China's Territorial Sovereignty and Maritime Rights and Interests in the South China Sea)



Su Chengfen, a former captain of a fishing vessel, displays *Geng Lu Bu* handed down by his ancestors on June 14

Sea Islands and the first to continuously exercise sovereign jurisdiction over them. Maps of the South China Sea Islands were

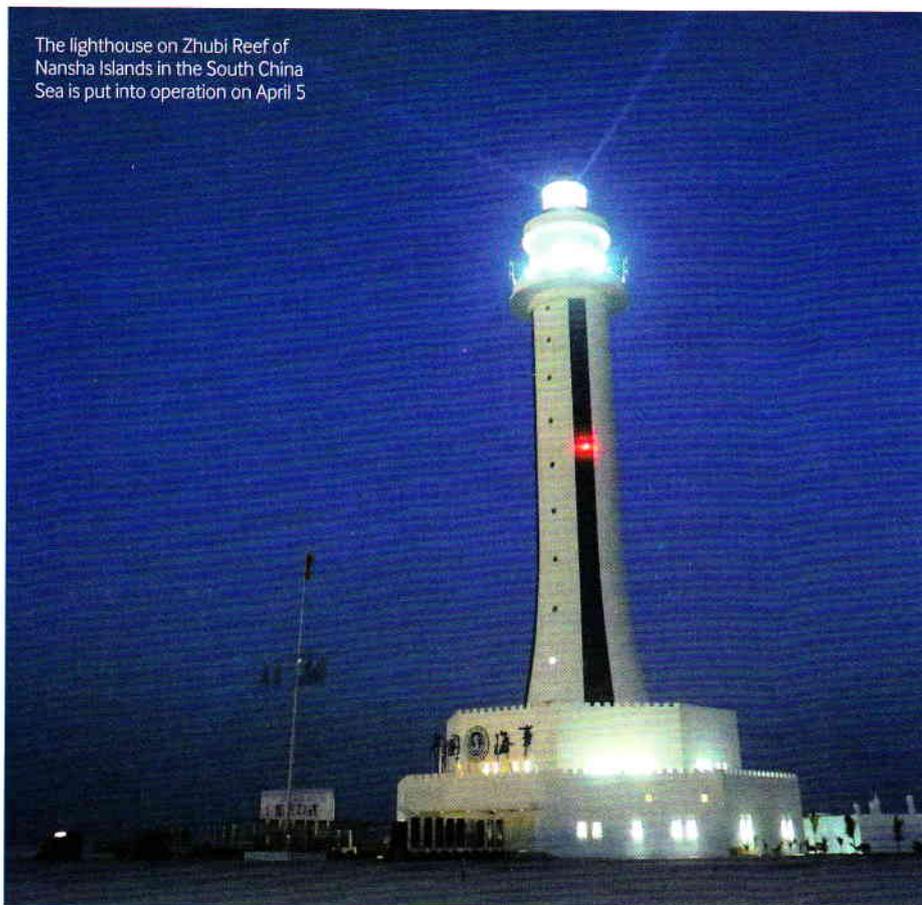
published throughout the Ming and Qing dynasties (1368-1911), including navigational charts drawn by China's 13th-century

explorer Zheng He.

China's sovereignty over the South China Sea Islands had never been disputed before the 20th century. But in 1933, France invaded some islands and reefs of the Nansha Islands, creating the Incident of the Nine Islets. The then Chinese government defended its sovereignty over the Nansha Islands. The Committee for the Examination of Land and Sea Maps later compiled and published the Map of the South China Sea Islands of China in 1935.

Japan also invaded and illegally occupied some of the South China Sea islands during its war of aggression against China. As the world's Anti-Fascist War unfolded, China, the United States and the United Kingdom demanded in the Cairo Declaration in December 1943 that all the territories Japan had stolen from the Chinese be restored to China. In July 1945, the three countries issued the Potsdam Proclamation, which explicitly declares in Article 8: "The terms of the Cairo Declaration shall be carried out." In August 1945, Japan announced its unconditional surrender and its acceptance of the Potsdam Proclamation.

In November and December 1946, the then Chinese government dispatched senior military and civil officials to the Xisha Islands and the Nansha Islands to resume jurisdiction over these islands, with commemorative ceremonies held and sovereignty markers re-erected. In March 1947, China established the Nansha Islands Office of Administration on Taiping Island. In February 1948, the Map of the Administrative Districts of the Republic of China was published, including the 11-



The lighthouse on Zhubi Reef of Nansha Islands in the South China Sea is put into operation on April 5

## China's Position:

- The unilateral initiation of arbitration by the Philippines is out of bad faith. It aims not to resolve the relevant disputes between China and the Philippines, or to maintain peace and stability in the South China Sea, but to deny China's territorial sovereignty and maritime rights and interests in the South China Sea. The initiation of this arbitration violates international law.
- First, the subject-matter of the arbitration initiated by the Philippines is in essence an issue of territorial sovereignty over some islands and reefs of Nansha Qundao (the Nansha Islands), and inevitably concerns and cannot be separated from maritime delimitation between China and the Philippines. Fully aware that territorial issues are not subject to UNCLOS, and that maritime delimitation disputes have been excluded from the UNCLOS compulsory dispute settlement procedures by China's 2006 declaration, the Philippines deliberately packaged the relevant disputes as mere issues concerning the interpretation or application of UNCLOS.
- Second, the Philippines' unilateral initiation of arbitration infringes upon China's right as a state party to UNCLOS to choose on its own will the procedures and means for dispute settlement. As early as in 2006, pursuant to Article 298 of UNCLOS, China excluded from the compulsory dispute settlement procedures of UNCLOS disputes concerning, among others, maritime delimitation, historic bays or titles, military and law enforcement activities.
- Third, the Philippines' unilateral initiation of arbitration violates the bilateral agreement reached between China and the Philippines, and repeatedly reaffirmed over the years, to resolve relevant disputes in the South China Sea through negotiations.
- Fourth, the Philippines' unilateral initiation of arbitration violates the commitment

made by China and ASEAN member states, including the Philippines, in the 2002 Declaration on the Conduct of Parties in the South China Sea (DOC) to resolve the relevant disputes through negotiations by states directly concerned. By unilaterally initiating the arbitration, the Philippines violates UNCLOS and its provisions on the application of dispute settlement procedures, the principle of "*pacta sunt servanda*" and other rules and principles of international law.

- The arbitral tribunal disregards the fact that the essence of the subject-matter of the arbitration initiated by the Philippines is issues of territorial sovereignty and maritime delimitation, erroneously interprets the common choice of means of dispute settlement already made jointly by China and the Philippines, erroneously construes the legal effect of the relevant commitment in the DOC, deliberately circumvents the optional exceptions declaration made by China under Article 298 of UNCLOS, selectively takes relevant islands and reefs out of the macro-geographical framework of Nanhai Zhudao (the South China Sea Islands), subjectively and speculatively interprets and applies UNCLOS, and obviously errs in ascertaining facts and applying the law. The conduct of the arbitral tribunal and its awards seriously contravene the general practice of international arbitration, completely deviate from the object and purpose of UNCLOS to promote peaceful settlement of disputes, substantially impair the integrity and authority of UNCLOS, gravely infringe upon China's legitimate rights as a sovereign state and state party to UNCLOS, and are unjust and unlawful.

*(Source: Statement of Chinese Foreign Ministry on the Award of 12 July 2016 of the Arbitral Tribunal in the South China Sea Arbitration Established at the Request of the Republic of the Philippines)*

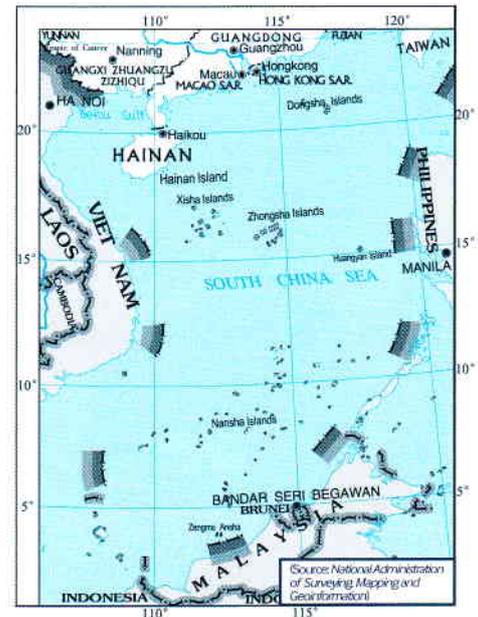
dash line which is represented as a nine-dash line in today's maps.

Since its founding on October 1, 1949, the People's Republic of China has upheld sovereignty over the South China Sea Islands and its relevant rights and interests in the region.

China's sovereignty over the South China Sea Islands and reefs has been acknowledged by a number of international sources throughout modern history, including, for

example, British, German, French, and Soviet atlases of the area published in the 1950s and 1960s. Territorial claims by other South China Sea claimants, notably the Philippines, did not encompass marine features within the U-shaped nine-dash line area until the 1970s.

Another question is, how was it possible for the arbitration to be unilaterally initiated by the Philippines' former Benigno Aquino III's administration? Arbitration takes place



when disputing parties have agreed to settle their differences by arbitration. Law experts, therefore, have said that from the very beginning the tribunal should not have agreed to hear the dispute, since it was presented by one party alone.

Fu Kuncheng, a law professor with Xiamen University in east China's Fujian Province, has noted that contracting parties to the United Nations Convention on the Law of the Sea (UNCLOS) can exclude themselves by written statement from the applicability of any compulsory procedures, including arbitration, connected with disputes involving maritime delimitation, sovereignty, military conflict and historic rights, under Section 2 of Part XV of the convention. China issued a statement in 2006 in accordance with Article 298 of UNCLOS which said China would not accept compulsory procedures entailing binding decisions.

When interviewed by Xinhua News Agency, Tom Zwart, a professor of law at Utrecht University in the Netherlands, said, "The tribunal should not have accepted jurisdiction." "From the outset, critics like me said that it would be very difficult to avoid sovereignty issues [when handling the Philippines' claims]," Professor Zwart was quoted as saying.

## The right path

Though the arbitral award was made heavily in favor of the Philippines, many have argued that the controversial decision cannot resolve any problems and will only heighten regional tensions.

Alberto A. Encomienda, a former Philippine diplomat, said, "Speaking as an international lawyer, I have some problem ▶▶



U.S. Marines amphibious assault vehicles speed past a landing ship during an amphibious landing exercise some 220 km east of China's Huangyan Island in the South China Sea on April 21, 2015

with the reasoning of the arbitration court. It is the first time I've seen a judgment sweeping the whole win in favor of one party. That is my general impression."

Graham Allison, Director of Harvard's Belfer Center for Science and International Affairs, wrote in *The Diplomat* that China will of course ignore the ruling, as great powers have done historically.

In 2015, an arbitration award declared a marine conservation area set up by the UK violated UNCLOS, but London just ignored the decision. In its *Nicaragua vs. the United States* case in 1980, the International Court of Justice ordered the United States to compensate the Latin American country, but Washington simply refused.

In an interview with Xinhua, ASEAN Education Center Director Joseph Matthews said that from the beginning, the arbitral tribunal was under the sway of the United States and its ally Japan. "This is a one-sided verdict based on China-phobia," he said, add-

ing "It is very important for the United States to stop all kinds of interference and its suggestions regarding the regional conflicts."

Matthews noted that "Manila should and must be mindful that any conflict in the region will jeopardize its economy and regional stability, and hence must not let outsiders guide or sway it on its foreign and internal policies."

While rejecting the award, China also expressed its willingness to work directly with concerned countries to resolve the disputes in the South China Sea through negotiations. In a statement following the arbitration, the Chinese Foreign Ministry said negotiations and consultations should be carried out "on the basis of respecting historical facts and in accordance with international law."

Lou, with the CICIR, said the South China Sea issue can be settled by bilateral talks, and shelving the disputes while seeking joint development is mutually beneficial.

In an interview with *Beijing Review* be-

fore the arbitration award was issued, longtime observer of the South China Sea issue Bill Jones, Washington Bureau Chief of U.S. weekly *Executive Intelligence Review*, said the Philippines is better off working together with China to solve the issues rather than adhering to a policy that comes from the United States.

Professor Zwart told Xinhua he hopes that after perhaps a day of celebration in Manila, the Philippine side will come to its senses and contact Beijing to say, "We have to resolve this peacefully."

Speaking prior to the award, the new Philippine President, Rodrigo Duterte, recently announced that Manila is ready to talk with Beijing even if the South China Sea arbitral tribunal ruled in favor of the Philippines. Hopefully, Duterte can soon put those words into action. ■

# WAR DRUMS AND PEACE PIPES

The South China Sea issue can be resolved without third-party involvement By Earl Bousquet

Every now and then, but with increasing frequency in recent times, China is engaged by its neighbors in territorial disputes regarding claims to the South China Sea. Historically, these disputes have been amicably settled between neighbors. But increasingly, questionable efforts have been made to introduce third-party involvement under the guise of mediation.

## Peaceful negotiation

Lies, half-truths and twisted facts are often used to justify the pursuit of strategic ambitions. But, before swallowing these tales wholesale, one would do well to revisit history.

First of all, as China has repeatedly pointed out, the islands and reefs of the South China Sea have been part of China's territory since time immemorial. China was the first to discover, name and exercise sustained, peaceful and effective jurisdiction over the relevant islands and reefs.

But since the 1970s, some countries have occupied a large number of China's Nansha islands and reefs, which is the root cause of the current problems between neighbors who had always coexisted peacefully in the South China Sea.

The fact is, China and its neighbors do have an established mechanism for seeking solutions to related disputes. The Association of Southeast Asian Nations (ASEAN) initiated a dual-track approach that ensures that disputes are properly resolved through negotiations and consultations between the parties directly involved.

This approach was advocated by the regional grouping of Asian nations to ensure peace and stability in the South China Sea and is jointly maintained by China and the ASEAN countries.

This approach is not only consistent with international law and practice, but also an important consensus reached and a solemn commitment made by China and the ASEAN countries in the Declaration on the Conduct of Parties in the South China Sea (DOC).

The DOC is also seen by ASEAN nations as the most pragmatic and effective way of properly handling the current issues involving the South China Sea.

The Philippine claim is based on its unilateral initiation of the disputed arbitration case in January 2013, which violates bilateral agreements between itself and China. It also violates the DOC agreement and violates Article 280 and Article 281 of the United Nations Convention on the Law of the Sea (UNCLOS).

That is to say, since China and the Philippines have clearly chosen negotiation as the agreed means to resolve relevant disputes, the third-party settlement mechanism in UNCLOS is not applicable.

Furthermore, China made [in accordance with Article 298 of UNCLOS] a declaration on optional exceptions in 2006, excluding disputes concerning maritime delimitation from such compulsory dispute-settlement procedures as arbitration.

China is therefore right when it says it refuses to accept or join in any arbitration and that it will also not acknowledge any resulting adjudication in absentia.

## Unwarranted intervention

Those promoting arbitration and mediation seek to legitimize external intervention in disputes between neighbors by falsely claiming China is pursuing hegemonic ambitions.

Freedom of navigation and overflight in the South China Sea has always been [and continues to be] enjoyed by all countries, in accordance with international law, and has never been an issue.

According to Ron Paul, a former U.S. Republican candidate for president in 2011, the United States maintains a military presence in more than 130 countries, with 900 bases around the world. Washington has also always historically found ways to latch on to every related dispute between China and its neighbors, its positions being driven by its strategic military interest in relation to the neighbors in question.

The United States hardly tries to mask its military strategy for the region with any ambiguity. The pivot-to-Asia strategy is not only about strengthening U.S. political and economic presence and influence in Asia, but also about creating new and greater strategic economic interests to provide more political justification for a stronger military presence in the name of enhancing regional security.

The U.S. insists that China is out to control all the skies and seas in the region and to construct military bases on uninhabited Chinese islands to enforce its dominance of sea and sky.

In reality, though, China has repeatedly assured that freedom of flight and navigation will not be affected by construction on some of its islands and reefs. China insists that construction in the South China Sea is within its sovereign rights, and that its activities are lawful, reasonable and justified and do not target any other country.

The recent regime change in the Philippines can again test the willingness of involved and affected neighbors to work together toward a common ASEAN solution without external intervention.

Washington will continue to press regional states that support external intervention to press for approaches that will favor its strategic military ambitions in and for the area.

But, China remains firmly against the militarization of the South China Sea and interference by any external force.

This simply means those prepared to test or challenge Beijing's determination are only demonstrating yet again their preparedness to fan the flames of war while talking about peace and security or, in other words, to beat war drums while smoking the peace pipe! ■

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The author is president of the Saint Lucia-China Friendship Association, and the article originally appeared on [China.org.cn](http://China.org.cn) on July 10  
Copyedited by Chris Surtees  
Comments to [liuyunyun@bjreview.com](mailto:liuyunyun@bjreview.com)

# Back to the Right Path

Signs of improvement in China-Philippines relations are laudable **By Mei Xinyu**



The author is an op-ed contributor to *Beijing Review* and a researcher with the Chinese Academy of International Trade and Economic Cooperation

**A**s the old Chinese saying goes, the extreme of adversity is the beginning of prosperity. This echoes the changing relationship between China and the Philippines, following fresh remarks from Philippine President Rodrigo Duterte and his administration's interaction with the Chinese side since taking office on June 30.

Before being sworn in, Duterte said that disputes with China in the South China Sea were no reason to go to war. He also ruled out the possibility of following in his predecessor Benigno Aquino III's footsteps by sending warships to conduct joint patrols with U.S. naval forces in the area.

In his inauguration ceremony, which was probably the most frugal of its kind in the Philippines since World War II, Duterte pledged greater efforts to clamp down on crime and to relieve poverty. He mentioned not a word about the South China Sea disputes with China but did reveal his administration's plan to chart an independent relationship with the United States.

Several hours after Duterte's speech, Philippine Foreign Secretary Perfecto Yasay said that the Philippines hopes for a "soft landing" in terms of disputes with China.

In his first cabinet meeting on July 1, Duterte reportedly said that he wouldn't "taunt or flaunt" the ruling made by an arbitral tribunal in The Hague on the case brought by the Aquino III administration concerning the South China Sea disputes, even if it favored his country.

## A timely change

The stance of the Duterte administration has received a positive reaction from the Chinese side.

On June 30, President Xi Jinping sent a congratulatory message to Duterte upon his inauguration. Duterte reportedly expressed his gratitude to Xi, saying that he was "honored" to receive a congratulatory message from "a great president."

Moreover, China could become the destination for Duterte's first foreign visit after taking office. Soon after he was officially declared winner of the presidential election, Duterte met three foreign ambassadors in Manila on May 16, including Chinese envoy Zhao Jianhua. At the meeting, Zhao invited Duterte to a commemorative summit marking the 25th anniversary of the dialogue relations between China and the Association of Southeast Asian Nations (ASEAN), which will convene in China in September. On July 2, Yasay said that Duterte was likely to visit China this year.

It's about time that the Philippines improved its relations with China instead of being mired in disputes with the largest nation in the region and allowing itself to remain a chess-board piece of a remote superpower. In order to improve domestic security and tackle economic challenges, the country is in dire need of a peaceful and stable external environment.

Crime, especially the drug trade and homicides, is a critical issue that the Philippines must confront. According to data from the UN Development Programme (UNDP), prisoners accounted for 0.11 percent of the country's total population from 2002 to

2013, which was much higher than the ratio in neighboring Indonesia. It was due to his firm stance on crime and his previous performance in this regard that voters elected Duterte president.

In addition, extremist groups and anti-government forces are a thorn in the Philippine Government's side with the potential to tear the country apart. Abu Sayyaf militants have made international headlines for bomb attacks and the taking and beheading of foreign hostages. Defense Secretary Delfin Lorenzana told the media before taking up his post that more military equipment—speedboats and helicopters—would be purchased to bolster the fight against Abu Sayyaf extremists.

In the meantime, armed conflicts between government forces and separatist groups in the Muslim Mindanao region in south Philippines, which resulted in 288,900 refugees in 2014 according to UNDP data, pose a bigger threat domestically, as those groups actually threaten national unity.

## The economic side

From 2010 to 2015, the Philippines' economy expanded at an average rate of over 6.28



Philippine President Rodrigo Duterte gives a speech at his inauguration ceremony in Manila on June 30

percent, far faster than most ASEAN member states such as Indonesia, Malaysia, Singapore and Thailand. Among major Asian economies, only the growth rates of China, India and Viet Nam surpassed that of the Philippines over the same period.

The Aquino III administration which has left office predicted that the Philippines' economy would expand 6.8-7.8 percent in 2016. The International Monetary Fund and the Asian Development Bank forecasted growth of 6 percent this year, which is quite high among world economies. But despite this, simmering risks remain.

The country's per-capita GDP remains comparatively low. In 2015, it stood at a mere \$2,875, equaling just over 60 percent of the level that defined a middle-income nation in 2014, according to the World Bank.

Income disparity is also evident in the Philippines, where most ordinary people have yet to enjoy real benefits from the country's economic growth. The country's poverty rate was as high as 25.2 percent between 2004 and 2014, according to the government's own measure, and UNDP data show that between 2002 and 2012, 19 percent of the population lived on the equivalent of \$1.25 or less per day.

Moreover, unemployment, especially among young people, has been reduced little, making poverty relief still more difficult. According to UNDP, the Philippines' total unemployment rate averaged 7.1 percent between 2008 and 2013, and the rate among young people aged 15 to 24 reached as high as 24.8 percent. In April 2014, the total unemployment rate stood almost unchanged from 10 years ago at 6.8 percent.

A deeper look into the Philippines' economic structure reveals more severe problems that can hardly be ignored. The country's GDP growth relies heavily on household consumption and the service sector, with industry playing a minor role and agricultural production lagging far behind. In 2015, primary, secondary and tertiary sectors respectively accounted for 9.5, 33.5 and 57 percent of the country's GDP. Sluggish growth in manufacturing has hampered overall industrial growth. Coupled with a prolonged trade deficit, this means the Philippine economy is bound to be vulnerable to external fluctuations.

Any adverse change in the global economy will sooner or later deal a heavy blow to the Philippines. Consumption, the backbone of the country's economy, is largely underpinned by remittances from Filipinos working overseas. Although the total of such income stood at \$25.77 billion in 2015, 4.6 percent higher than in 2014, the year-on-year growth rate was much lower than in previous years



due to the appreciation of the U.S. dollar and military conflicts in the Middle East, where more than 2.5 million Filipinos work in a variety of sectors.

Notably, the recent rapid increase in the Philippines' trade deficit has been caused mainly by a plunge in its trade with China. According to data from China Customs, in 2015, yuan-denominated Chinese imports from the Philippines decreased 8.6 percent from the previous year, and the decrease widened to 13.1 percent in the first four months of 2016. In the meantime, Chinese exports to the Philippines increased 15 percent in 2015 compared with 2014, and the increase soared to 27.4 percent in the first four months of this year.

As elsewhere around the world, made-

Philippine artists perform at the 11th China-ASEAN Expo in Nanning, south China's Guangxi Zhuang Autonomous Region, on September 16, 2014

in-China commodities and equipment have become an indispensable part of the Philippines' economy. But, whereas some other ASEAN members have done quite well by increasing exports to China amid the country's rising demand, the Philippines has failed to seize opportunities to do likewise. By fundamentally improving its relations with China, the Philippines could secure potentially vast economic benefits. ■

Copyedited by Chris Surtees  
Comments to liuyunyun@bjreview.com

# The Political Divisions Engulfing Iraq

The Middle Eastern nation has a long way to go in rebuilding itself **By Wang Lei**

In late June, Iraqi forces recaptured the city of Falluja from the so-called Islamic State group (ISIS) in a significant victory in the war on extremism. While the nation strives to overcome radical militants on the battlefield, it must at the same time resolve internal political deadlock.

Protests against Iraqi leaders have been mounting in recent months, as participants demand that the government fulfill its promises to reform and curb corruption.

As early as this February, Iraqi Prime Minister Haider Jawaad al-Abadi proposed a cabinet reshuffle in a bid to increase independent technocrats and put an end to the provisional political system that allocates parliamentary seats on the basis of ethnic

identity and religious faction, which has been in place since the 2003 U.S.-led invasion.

By the end of March, Abadi had proposed a new cabinet line-up to parliament, but only a partial cabinet reshuffle was approved. Owing to partisan disputes, Abadi's reforms cannot be fully implemented, leading to a public loss of patience underlined by the protests and marches of discontent.

On April 30, thousands of people entered Baghdad's Green Zone, also known as the International Zone, and some even occupied the parliament building, disabling the legislative body and forcing the government to declare a state of emergency. Controlling the political volatility in Iraq since the toppling of Saddam Hussein by the United States in

2003 has proved hazardous.

As a matter of fact, Abadi has made some progress since replacing former leader Nouri al-Maliki in September 2014. Kurdish separation and the Sunni rebellion have been subdued, while ground has been gained in the fight against ISIS. These achievements indicate Abadi's cabinet is on the right track, but the suspension of political reform and the ensuing public protest has left many disappointed. How have the proposed reforms led to this crisis? The reasons are complex.

## Social and economic problems

Public discontent has been fueled by various factors, including a lack of improvement in people's livelihoods. Abadi's cabinet has given priority to ensuring state security owing to the imminent threat from ISIS. In the last two years, the government has invested most of its efforts into strengthening its military force in order to counter the terrorist group. Against such a backdrop, economic development and prosperity is understandably regarded as a lesser objective.

If and when the ISIS threat is stifled, Iraqis will expect the government to improve public services as soon as possible. Several large protests were triggered last year when the government failed to address power shortages or accelerate reconstruction, leading many to conclude that the government remains inefficient and unable to solve any of Iraq's major problems other than the need to build up its military.

Floundering global oil prices have severely hampered the government's economic strength, since as much as 90 percent of the country's fiscal revenue derives from oil exports. In the 2015 fiscal year, the Iraqi Government's budget deficit exceeded \$20 billion, while the 2016 deficit is set to reach another record high. Juggling the onerous tasks of fighting ISIS, improving people's livelihoods and running the government is a challenge made worse by declining global oil prices.

Due to its weak position, the government is struggling to cope with the ballooning deficit. Abadi's cabinet planned to borrow



Protesters occupy the parliament building in Baghdad on April 30, expressing their discontent with the government

money through domestic and international bond issuance as well as applying to the International Monetary Fund (IMF) for financial aid. However, investors are not willing to take such a gamble due to Iraq's current instability, and the IMF's loan conditions are harsher than what the government is willing to accept. Consequently, Abadi lacks sufficient funding to solve his country's multitude of problems.

Abadi has needed to suspend his governmental reform because of the strong opposition that has embarrassed his government. Along with the failure to implement economic reform, political reform is also proving to be a daunting obstacle.

### Political strife

In 2015, Abadi proposed a reform aiming to cut redundant government staff, curb corruption and remove senior ministers appointed because of their sect or ethnicity. However, many of his reform attempts have been stymied by other politicians, who are more interested in maintaining the *status quo* and hanging onto their own power and influence.

Despite Abadi's compromises in the cabinet reshuffle, his plan cannot gain parliamentary approval. He has failed to garner support from the Sunnis and Kurds. On the flip side, the Shiites, to which Abadi belongs, accuse him of making too many concessions to the Sunnis and Kurds. These major factions perceive the cabinet reshuffle as an attempt by the prime minister to concentrate power. Thus, Abadi is caught between pushing ahead with reform, which will further antagonize his opponents, or backing down and disappointing advocates of the reform.

Under such circumstances, the power struggle among political groups in Iraq has intensified. In the short run, a compromise may prove elusive. Currently, the State of Law Coalition, a Shia bloc led by former Prime Minister Maliki, is the biggest government challenger. Maliki agrees to a cabinet reshuffle but also wishes to consolidate his position through political force. Maliki appears to be waiting to seize an opportunity to replace Abadi.

Another major political power is the Iraqi National List, a secular political coalition consisting of moderate Shiites and Sunnis, led by former Vice President Ayad Allawi. Political forces representing Sunnis and Kurds also agree on a reshuffle, yet, like Maliki and Allawi, they also insist on retaining their positions within the cabinet.

The Iraqi National Alliance led by radical Shiite cleric Moqtada Sadr has repeatedly demanded a comprehensive cabinet reshuffle to negate Maliki's influence. The division between political forces has become too wide



Iraqi soldiers make a victory gesture at the center of the city of Falluja on June 17. The Iraqi Government on the same day declared it had retaken the city from the control of ISIS

to reconcile, thus they are unable to reach a consensus on rebalancing power, leading to the continuation of the crisis.

In Iraq, numerous tribes and minorities have historically been excluded from governance. This political and economic marginalization drives them to resort to alternative tactics to express their voices, as radical Shiite militias play an increasingly prominent role in various protests against the government.

ISIS launched a mighty offensive in 2014, resulting in their occupation of large swathes of north and west Iraq, including the country's second largest city, Mosul. The nation was nearly torn apart by ISIS, though with international support and help from Shiite militias and Kurdish fighters, Iraqi forces have made some progress in retaking control of some territory. However, ISIS has conducted multiple terrorist attacks that have fractured security and inflamed sectarian conflicts.

### Foreign interference

The Iraqi political crisis has caused concern in the United States. U.S. Vice President Joseph Biden and Secretary of State John Kerry have paid visits to Baghdad, trying to harmonize rela-

tions between the political factions and urging them to focus on the fight against ISIS.

Meanwhile, Iran appears to be playing an active role in the situation, as it tries to use its clout as a Shiite power to influence Iraqi politics with the aim of curbing the growing conflict between Shiite factions.

However, foreign forces have vested interests when participating in resolving Iraq's political deadlock. Their involvement is likely to add new uncertainties to Iraqi politics.

Putting an end to the current political stalemate is not going to happen any time soon. In 2003, having overthrown Saddam Hussein, the Bush administration vowed to rebuild Iraq as a model for Middle Eastern democracy. However, 13 years later, Iraq remains far from reaching a national consensus, creating a civil society or establishing a sound and robust judicial system. The country is still reliant on foreign assistance and has a long way to go before these issues can be resolved. ■

The author is an assistant researcher at the Institute of World Economics and Politics under the Chinese Academy of Social Sciences  
 Copyedited by Dominic James Madar  
 Comments to liuyunyun@bjreview.com

# UK Iraq Inquiry

Who will bear the consequences of the Iraq War? By Liu Shiqiang

Less than two weeks after the Brexit referendum, the long-awaited Report of the Iraq Inquiry into the Iraq War, or the Chilcot Report, has slammed the invasion and heavily criticized former UK Prime Minister Tony Blair.

Describing the military action in Iraq instigated by the United States and the UK in 2003 as an "invasion," the report says the UK Government's decision to participate in the campaign was based on flawed intelligence and inadequate planning.

Besides Iraqi fatalities, estimates of which range approximately from 105,000 to 601,000, the war caused the dislocation of tens of thousands of people and led to tens of thousands more living in misery. The end of Saddam Hussein's strongman politics did not bring freedom and well-being to the country and its people, but instead, led to frequent terrorist attacks and extremist vio-

lence in the region at large.

The invasion has severely undermined the geopolitical balance in the Middle East as it toppled Iran's old rival, Hussein's Sunni government. Tehran subsequently established a Shiite alliance, whose arc of influence spread from the Persian Gulf to the Mediterranean Sea, which in turn gave rise to strong opposition from Sunni countries led by Saudi Arabia.

The outcome of the UK public inquiry into the nation's role in the Iraq War was published on July 6. The 12-volume, 2.6-million-word report, which took seven years to produce and cost an estimated 10 million pounds (\$13 million), aimed to reveal the truth behind Britain's involvement in Iraq between mid-2001 and July 2009.

## The Inquiry

The report found that "the judgments about

the severity of the threat posed by Iraq's alleged existence of weapons of mass destruction were presented with a certainty that was not justified" and that the war was therefore "not a last resort." The British Government also underestimated the consequences of the invasion, despite explicit warnings. "The planning and preparations for Iraq after Saddam Hussein were wholly inadequate," the inquiry found.

The report blasts Blair, who followed in the footsteps of former U.S. President George W. Bush and dragged his country into a controversial war which could have been avoided.

Blair responded to the accusation with a marathon news conference during which he was deeply contrite and expressed a willingness to "accept full responsibility for those points of criticism." He said, "The decision to go to war in Iraq was the hardest, most momentous and agonizing decision I took in my 10 years as British prime minister." He

still believes, however, that he made the decision out of national interests and that the world was safer as a result of the removal of Saddam.

Unfortunately for Blair, a significant portion of the British public didn't buy his story. Labour Party leader Jeremy Corbyn has suggested that Blair should face a war crimes investigation. After all, some 179 British soldiers died due to the UK's military intervention in Iraq.

The invasion opened a Pandora's Box in the Middle East, and the biggest victims of the war



VIHNIK

Suicide bombers and gunmen in the Iraqi town of Balad kill at least 35 people in an attack by ISIS at a Shiite shrine on July 8



A UK transport aircraft carries humanitarian aid to Iraq on August 10, 2014

have been ordinary people in Iraq and in neighboring states affected by the Iraqi regime change. According to CNN reports, plenty of Iraqi interviewees reminisce about the good old days of Saddam Hussein, when terrorist bombings were rare, when there were no blast walls and few checkpoints.

## Terrorism and refugees

To some extent, the Syrian civil war and the relentless expansion of the so-called Islamic State (ISIS) are consequences of the Middle East geopolitical turmoil caused by the Iraq War.

Hundreds of thousands of people have had to flee their homelands, where superpowers tussle for resources and ISIS engages in the wanton killing of innocent people. A majority of the refugees have headed for Europe due to its geographic vicinity and their aspirations for a better life, posing an unprecedented challenge to the safety, policymaking and unity of the continent. EU countries have tightened their border controls, and the EU looks set to lose one of its core members—the UK—in the near future.

Terrorist activities around the world—from the Russian plane crash in Egypt, to the bloodshed in Brussels, to the attack on the gay community in Orlando, the United States—continue to threaten global peace and stability. Thus, discussions and reflec-

tions on the Iraq War are still highly relevant in today's world.

## Reflection

The belated UK Inquiry, though reflective in nature, can hardly be seen to have a great impact, as both Blair and Bush refuse to admit that waging the war was wrong in the first place.

Nonetheless, the UK has in effect returned to the common sense view that “war must be the last resort” and it should not engage in unnecessary conflicts.

Will Britain now think and act independently or continue to follow the lead of the United States?

Since the end of the World War II, successive UK governments have followed in the footsteps of the United States when it comes to major policy decisions either in the UN or in NATO.

Over the past few decades, wherever U.S. troops have been deployed, British soldiers have also appeared. The Iraq War, however, has pushed Britain to reconsider the cost of their unconditional support of U.S. decisions. In fact, Britain's foreign policy has already blazed a path toward independence with notable events such as the UK parliament's vote against military intervention in Syria in 2013, which the United States had urged the UK Government to support, and

the UK's accession to the Chinese-led Asian Infrastructure Investment Bank.

Striking a balance between managing future UK-U.S. relations while accommodating national interests will be a challenging task.

One of the stated goals of U.S. intervention in Iraq was to bring about a “regime change” and to foster the country's democratization. For Iraq to establish a free system of government similar to some in the West, however, is an impossible mission at the present stage. Saddam Hussein was a “dictator” according to Western ideology, but Iraq after his execution is more chaotic and dangerous than it had been for half a century.

The peoples of the world each have their own history, culture and unique social conditions. A political system which functions well in one geographical area during a particular era may not work effectively elsewhere or in other periods.

The war in Iraq and the Chilcot Report offer a valuable lesson for leaders of the UK and other nations: Adopt an approach that is realistic rather than idealistic when dealing with international affairs and be mindful of possible disastrous consequences stemming from interference into other countries' internal affairs. ■

The author is an associate professor on Marxism with China's Southwestern University of Finance and Economics  
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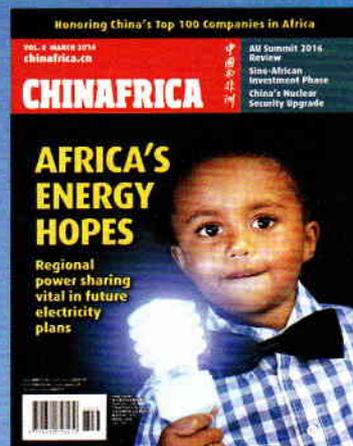
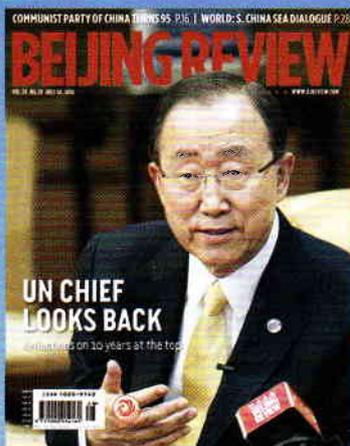
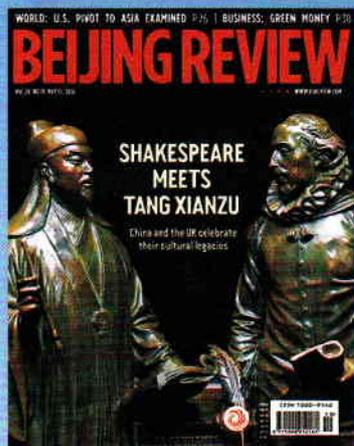
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A soldier from the armed police in Hubei Province transfers an elderly resident to safe area after the breach of a levee in Xinzhou District of Wuhan, capital city of the province, on July 2



## Weathering the Storm

China survives another season of torrential rainfall that has left a trail of destruction  
By Wang Hairong

**T**he long line of workers wearing rain boots, wide straw hats and wielding large bamboo brooms worked in unison, their movements seemingly choreographed. Man against nature—the massive clean-up campaign was unenviable, but vital.

On the hot afternoon of July 10, the streets of Yongtai County in southeast China's Fujian Province were thick with sludge and debris, the aftermath of *Nepartak*, the first typhoon to land on China's mainland this year. The storm abated as it moved further inland, leaving in its wake a trail of destruction. Submerged farmland, waterlogged cities, collapsed homes and sadly, human casualties. As the sun set, the sound of the sweeping brooms continued deep into the night.

The typhoon made landfall on the shore of Shishi City in Fujian at 1:45 p.m. on July 9 and was downgraded to an ordinary storm on the afternoon of July 10.

As a semblance of order returns to the area, roads are being repaired, and facilities disin-

fectured. With assistance from the government, people are returning to their normal lives.

### Death and destruction

This year, China's flood control authorities have been on alert for deluges brought about by a strong *El Nino* that ended in May. In the first half of the year, precipitation across the country was 23 percent higher than that during the same period of last year, said Liu Ning, Secretary General of the State Flood Control and Drought Relief Headquarters (SFCDRH) and Vice Minister of Water Resources, at a press conference held on June 29.

*Nepartak* had sent down 100-250 mm of rain in 20 counties of Fujian, with Minqin County receiving the heaviest rainfall of more than 350 mm, according to a meteorological report.

As of 9 a.m. July 11, the typhoon had contributed to the deaths of nine people, left 18 missing, displaced 213,000, and affected a total of 452,000 people in 54 counties of nine

cities in Fujian, according to the province's Department of Civil Affairs. More than 900 houses were destroyed as well as crops damaged, with total direct economic losses estimated at 900 million yuan (\$134.4 million).

The Fujian Commission for Disaster Reduction and the Department of Civil Affairs allocated 10 million yuan (\$1.54 million) for disaster relief.

At 10 a.m. on July 11, the National Commission for Disaster Reduction and the Ministry of Civil Affairs activated the national level emergency response system. Relief supplies were being delivered to the disaster-stricken area in Fujian.

Days before *Nepartak* landed, the middle and lower reaches of the Yangtze River recorded heavy rainfall. The National Climate Center reported 100-200 mm of precipitation in this area from June 30 to July 4.

According to the center, these days saw the heaviest rainfall in the region to date this year, with 401,000 square km receiving precipitation

of more than 100 mm, and 64,000 square km receiving more than 250 mm.

The Hubei Department of Civil Affairs estimated that as of 5 p.m. on July 4, the storm had affected 9.57 million people in 79 counties of the province, leaving behind 38 dead and 17 missing.

Floods triggered by rainstorms damaged the houses of 13,995 households, displaced 308,900 people and flooded a large area of farmland, causing a direct economic cost of about 12.85 billion yuan (\$1.92 billion).

On July 11, the Ministry of Civil Affairs released a report on natural disasters across the country in the first half of this year. It revealed that, in the first six months of this year, floods and related geological disasters such as landslides affected 34.02 million people, causing 367 dead or missing. A total of 68,000 houses collapsed and 469,000 were damaged, and a large area of crops was ruined. The direct economic loss was 45.51 billion yuan (\$6.79 billion).

Generally speaking, the losses were comparable to the same period in recent years, said the Ministry of Civil Affairs. Most of the flood-related disasters took place in southern provinces, such as Hunan, Guizhou, Jiangxi, Hubei, Anhui and Fujian.

## Rescuing efforts

The government attaches great importance to preventing and controlling floods. On July 5-6, Premier Li Keqiang visited Fuyang in Anhui, Yueyang in Hunan and Wuhan in Hubei to inspect flood control and disaster relief work in the areas.

During the visits, he stressed that protecting people's life and property safety must be the top priority.

The SFCDRH has sent expert groups to southern provinces to guide related work. Local residents in the provinces and the People's Liberation Army and armed police forces have also been deployed for flood control.

The SFCDRH disclosed that from June 30 to July 4, a total of 733 levee breaches were reported in the five provinces in the middle and lower reaches of the Yangtze River, including three along the mainstream of the river. During the period a total of 1.54 million people had participated in flood control.

Incomplete statistics revealed by the SFCDRH showed that on July 4, about 424,300 people (including 17,100 troopers) were assigned to inspect dams and close levee breaches, including 76,400 in Hubei, 103,800 in Hunan, 16,000 in Jiangxi, 221,600 in Anhui and 6,500 in Jiangsu.

In the battles against flooding, soldiers and armed police played an important role.

On the Internet, pictures of drenched military rescuers with blistered hands were widely circulated.

When *Nepartak* pummeled Damo Village in Hongwei Township, Minhou County in Fuzhou, capital of Fujian, about 1,000 villagers were trapped by raging water. The Fuzhou branch of the armed police dispatched a batch of 50 officers and soldiers, who transported villagers to safety with speedboats.

Firefighters in Yongtai County, Fuzhou, saved 132 residents in the town of Qingliang, where roads were cut off, bridges broken and

houses collapsed in the flood.

During the rescue mission, soldiers also faced risks. On July 9, three soldiers were washed into the Meixi River by mudslides on their way to disaster-stricken Minqing County in Fujian. Soldier Liu Jingtai remained missing while the other two have been rescued.

## Flood control review

The storms and floods elicited heated debates about flood control measures. Flood control is a complicated engineering system consisting of reservoirs, embankments, river and flood diversions and storage areas, said Ding Liuqian, Director of Flood Control and Drought Relief Engineering Research Center under the Ministry of Water Resources.

When floods occur, firstly the role of reservoirs and embankments should be optimized, and if this is inadequate, we need to resort to diverting floods to alternative flood storage areas according to the emergency plan, said Ding.

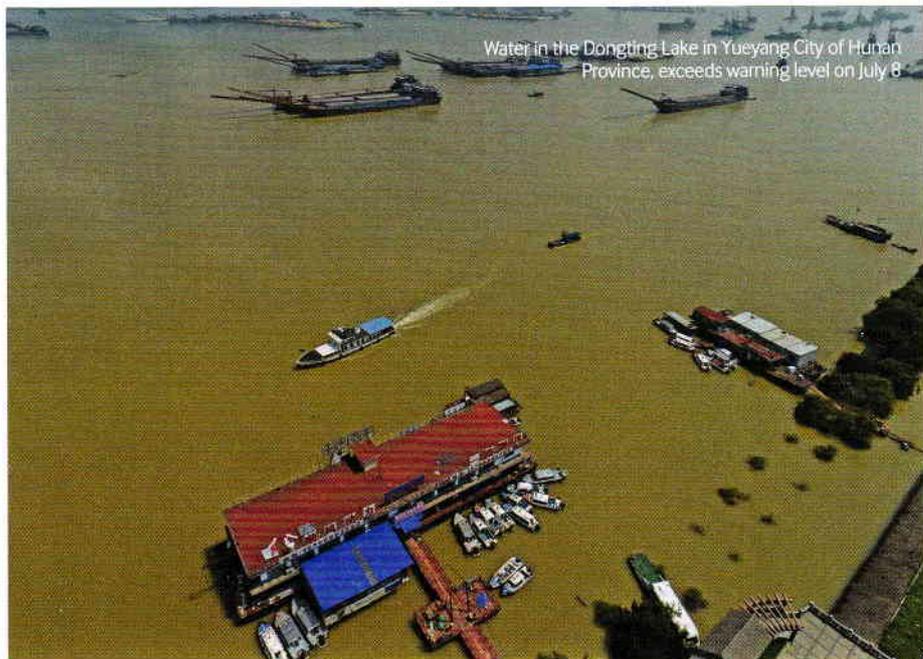
"If not for the reservoirs that blocked the flood water, the consequences would have been unimaginably terrible," Luo Yijun, an official with the Flood Control Office of Hunan, told Xinhua News Agency.

He said, on July 1, water in Zishui River in the province surged, and Tuoxi Reservoir began to store the flood water. Up until July 4, the reservoir had blocked and stored more than 500 million cubic meters or 75 percent of the flood water, protecting people downstream of the river.

While the embankment of large reservoirs and rivers has been consolidated in recent years, Ding said that small and medium-sized rivers and small reservoirs are vulnerable to breaches. In addition, he pointed out that human activities, such as overly developing river and lake beds will aggravate flood risk, and such improper activities should be restricted by law.

Another problem that Ding noted is serious waterlogging in some cities, such as Wuhan. Days after the rainstorms in early July, some residential compounds in Wuhan were still drenched in water more than 1 meter deep. A reporter with *The Beijing News* found that one such neighborhood was marked as a lake on a traffic map of Wuhan published in 2000, and other soaked neighborhoods were either wetlands or originally planned to be developed into water parks.

Ding said that cities should improve the drainage capacity of their underground pipeline networks and urban rivers, strengthen planning for low-lying land and lakes, and construct underground water storage and infiltration facilities. ■



Water in the Dongting Lake in Yueyang City of Hunan Province, exceeds warning level on July 8

# Third Pole Seeks Progress

Tibet looks for economic and environmental collaboration around the world

By Bryan Michael Galvan

**L**ocated at the breathless roof of the world, Lhasa was host to the Tibet Development Forum, which sought to discuss ways to further the region's progress. The forum, which lasted from July 7 to 8, herded in 130 scholars, business leaders and journalists from all over the world.

After a three-day tour encompassing religious sites, local enterprises and housing-relocation projects, participants absorbed local culture while adapting to the lack of oxygen—Lhasa, capital city of southwest China's Tibet Autonomous Region, sits above the rest of the world at an altitude of 3,490 meters.

The forum, which was organized by the State Council Information Office and the regional government, gave the delegates a chance to talk about Tibet's entrepreneurship and industrial upgrading, environmental protection, the preservation of tradition, infrastructure projects as well as poverty relief efforts.

Among areas of interest at the forum, Tibet's relationship with the Belt and Road Initiative (B&R), ecology, and evolution took center stage during discussions.

## Belt and Road

China's efforts to shift from an economy centered on investment and manufacturing to one which is driven by consumption and innovation has led it to reach outward in an effort to open up its economy.

The B&R is part of the modern Silk Road which China seeks to revive in order to boost connectivity and economic collaboration among participating countries in Asia, Africa and Europe.

Tibet is an important component in this initiative, since it is adjacent to Xinjiang Uygur Autonomous Region as well as Qinghai, Sichuan and Yunnan provinces. Moreover, Tibet borders India, Nepal, Myanmar and Bhutan.

At the forum, Liu Yongfeng, Deputy Director General of the Department of External Security Affairs at the Ministry of Foreign Affairs, told participants about the importance of Tibet in relation to China's opening-up strategy.

"The B&R Initiative transforms Tibet from

the rear and border area of China's opening up, to the forefront, important key hub. In general, there are many favorable conditions for its integration into the B&R," she wrote in a statement.

According to Liu, Tibet's integration into the B&R will help to improve transportation infrastructure, upgrade its industries and restructure its economy as well as increase jobs and promote social stability.

"It will also help to align Tibet with the China-Pakistan Economic Corridor and advance practical cooperation between China and South Asian countries. It will help us to jointly combat drug smuggling, cross-border crimes, terrorism and other trans-national crimes. It will help us build a community of a shared future. Tibet is an important fulcrum of the B&R," she stated.

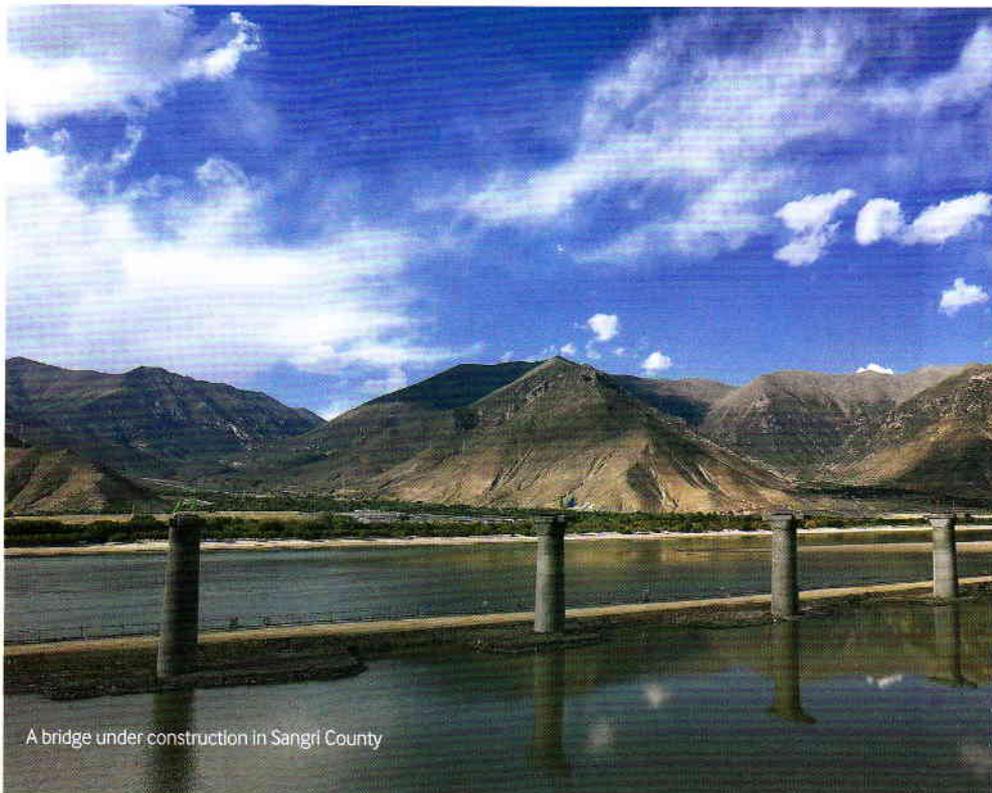
One of the main aspects of the B&R is its focus on the construction of the infra-

structure needed to support it and how it may help China's construction and related industries expand their presence in overseas markets.

Liu echoed similar views, saying, "South Asian countries have rich resources and their infrastructure has yet to be upgraded. They have a huge market potential and labor force. There is a huge demand there which makes them complementary to the Tibetan economy."

Yet many proponents of the initiative focused on other aspects of the B&R. Daniel J. Dudek, Vice President of the Environmental Defense Fund, told *Beijing Review* during an exclusive interview about the social impact that the B&R may have on the region.

"The bright spots that I see," said Dudek, "are that the B&R is not just a commercial vehicle. It's also a vehicle for transmitting good ideas about how to address environmental



A bridge under construction in Sangri County

protection—to the extent that you have, for example, the Chinese Government promoting that type of initiative—they have a set of responsibilities within the government to develop understanding, coordination, amongst the nations in the region.”

One of the challenges that rears its head at the notion of increased development is that China now finds itself in the situation of having competitors in relation to the global economy.

Dudek said that China now must deal with other nations that are host to lower labor costs, so it has concerns about its own loss of comparative advantages in terms of ongoing globalization.

Despite this assessment, Liu was bullish on the prospect of integration and collaboration. “If you look at people-to-people and cultural exchanges, Tibet and the [countries in the] South Asian region share similar languages and culture, and there is a natural bond between the people. We need to fully leverage these strengths and garner more support of the people toward the B&R,” said Liu.

Even though forum members were in agreement on the need for Tibet to coordinate itself with the B&R, there is still room for improvement. Liu put forward five areas which she claimed the government should focus on

in order to take advantage of the opportunities available—the need for all dimensional transportation, integrated trade, the creation of an open and secure financial system, a revamped service system and more people-to-people and cultural exchanges.

## Environmental challenges

Studies have shown that economic development brings about environmental degradation. The 2009 report, *The Environmental Effects of International Trade*, published by Harvard University, found that trade and growth can affect measures of environmental degradation, particularly that of carbon dioxide emissions.

At the world’s “third pole,” concerns about maintaining Tibet’s environment in pristine condition were often iterated. Dudek, who also sits on the China Council for International Cooperation on Environment and Development, said that there should also be some kind of more common approach to environmental protection in the region.

“The bar should be raised in terms of domestic environmental initiatives within the nations surrounding China. So I think it’s a very positive thing that China is not only thinking in this way but actively promoting environmental protection outside its own borders,” he said, referring to the impact of the B&R.

In terms of the environmental obstacles which Tibet must overcome moving forward, Dudek claimed that implementation is always the big challenge in China, calling for the development of specific guidance for the implementation of environmental laws.

More thought should be put into what should be done to take advantage of the new tools as well as the new directions that are set out in terms of China’s environmental legislation, according to Dudek.

“So I think there is something more in the way of a follow-up to actually ensure that the opportunities provided by these reforms are actually translated into on-the-ground action. So this is going to be an ongoing process in China—it really is the key next thing,” he said.

How will Tibet handle modernization while maintaining its natural appeal—one of its economic growth drivers and a tourist attraction—intact?

“One of the ways to sustain that is to take extra effort not to just do what is allowed under the legislation, not to just take a business-as-usual approach, but really to say ‘OK, we have this asset, we really do want to protect it, so let’s do this evaluation, let’s consider the impacts, and let’s make sure that whatever is done uses the best available

control technology,” said Dudek.

“I think we should think about really minimizing the environmental footprint of the investment going on here, and that’s the way to sustain the long-term environmental competitiveness of Tibet,” he added.

## Work in progress

Moving forward in line with China’s development goals, some of the forum’s participants looked back at the road that Tibetans have walked and made distinctions between the past and present.

Harvard University’s Leonard W. J. van der Kuijp, a professor of Tibetan studies and Chair of Inner Asian and Altaic Studies, told *Beijing Review* in an exclusive interview about his experiences in Tibet since he first visited in 1982.

“The social and economic improvements have been tremendous over the last 34 years. Lhasa has changed dramatically. I couldn’t have recognized it if I hadn’t been going to Lhasa in the intervening years for about another 20 times or so,” he said.

Still, Kuijp outlined some challenges and areas for improvement that the government could follow.

“Chinese scholars of Tibetan studies should be engaged in more international exchanges such as travelling abroad and taking part in conferences. This would greatly help, not only the view that people have of China, but also help out the development of Tibetan studies in general and for China as a whole.”

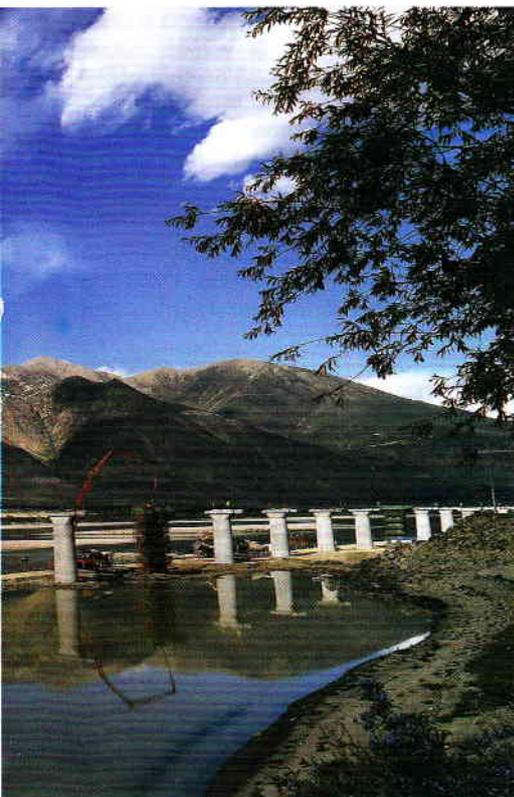
Kuijp also hopes that at one point in time, archive material on Tibet can be made more freely available.

The professor nonetheless said that the well-being of the people in Tibet has increased, and that the people have a much better livelihood than before.

Bianzhen, 20, is a student at Tibet University in Lhasa. She agreed with Kuijp’s assessment, telling *Beijing Review* that before, when she lived in the countryside, her family had no money to send her to school. Now, she said, “We don’t pay any money for school, so now we have more chances to study.”

Bianzhen said that when she graduates she wants to become a teacher.

Laba Dunzhu, 21, who studies applied mathematics at the university, told *Beijing Review* that he also has a chance to study more in order to achieve his dreams. ■



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# Getting out of Poverty

Villages in Guizhou Province demonstrate the power of tourism By Ji Jing

As provinces throughout China strive to eradicate poverty by 2020, in line with plans set out in the country's 13th Five-Year Plan (2016-20) for social and economic development, southwestern Guizhou Province seeks to set an example through tourism projects and related business activities.

"Guizhou has a population of over 6 million living under poverty, accounting for nearly 10 percent of the country's impoverished population," said Li Yao, Director of the Guizhou Provincial Government's Finance Office, at the Eco Forum Global Annual Conference.

The forum was held in Guiyang, capital of Guizhou, on July 8-10. Participants discussed a range of topics regarding sustainable development, ecological and environmental protection and poverty alleviation.

"Poverty alleviation concerns people's livelihoods and is therefore the most pressing task for Guizhou in the next five

years," Li added. Some local projects have branched out throughout the province to meet these goals.

Yang Hong, an assistant to the mayor of Meijiang Township in Meitan County, is in charge of a tourism project called "Seven-Color Tribe" in the village of Jinhua.

The tourism project covers 1.1 square km and has large areas devoted to tea farms in the mountains as well as fresh air, which are among some of the area's main tourist attractions.

Yang told *Beijing Review* that the project was initiated in March last year in order to boost local economic development and increase rural residents' income.

Previously, local farmers made a living from tea production. Before 2014, they had an annual per-capita income of less than 10,000 yuan (\$1,495).

Xu Xueliang, a former tea farmer, was the first local resident to start a hostel,

providing catering services as well as accommodation, for tourists last year.

Xu said that his two-bed rooms cost 100 yuan (\$15) a day and are equipped with air conditioners, bathrooms, heaters and wireless broadband. He now makes 40,000 yuan (\$5,978) a month on average and hires seven local villagers to assist him. Aside from the income received from the hostel, he also sells local specialties such as tea to make more profit.

Xu is only one of the local farmers to have engaged in tourism-related businesses. According to Yang, there are now more than 10 hostels, five hotels, four supermarkets and two bars in Jinhua.

In 2015, the per-capita net income of villagers participating in the Seven-Color Tribe project reached 16,400 yuan (\$2,451), a 45-percent increase from a year earlier. Tourism revenue totaled over 13 million yuan (\$1.9 million) from May 2015 to April this year, accounting for 85 percent of the villagers' total income. Jinhua's economy has been able to shift from a focus on agriculture to one centered on tourism.

## A new model

Jinhua's tourism industry has grown thanks to a model introduced by the township government that partners local farmers with powerful companies.

A tourism company has been contracted to run the Seven-Color Tribe project. Local farmers are allowed to use their land, idle houses and money in exchange for stakes in a joint venture and can receive dividends at the end of each year.

"In the beginning, some villagers questioned the profitability of the project, for fear that Jinhua is too far to attract people



Xu Xueliang's hostel in Jinhua Village

Residents of Jinhua Village discuss the village's development plan at a meeting presided over by Yang Hong on June 2, 2015



COURTESY OF YANG HONG

from urban areas," Yang said.

One of Yang's jobs at that time was to inform the farmers of the benefits that could be brought by tourism. He often drove to the village at 6 a.m. to start work. Eventually, 73 households joined the joint venture as shareholders. Now the company's revenue comes mainly from parking fees, admission ticket sales and management charges.

Currently, more guidance needs to be given to local farmers regarding what kinds of business to start, according to Yang. For instance, farmers may swarm to open hostels if they see the business as being profitable, which could lead to over-homogeneous competition.

Yang said that the Seven-Color Tribe project will develop more tourist products in the future. For instance, tourists will be allowed to pick tea leaves at designated farms and try tea making and packaging in person.

He also said that he hopes to turn Jinhua into an incubator for entrepreneurs in order to attract villagers who had moved to work in cities to come back and start their own businesses.

Rural tourism has also thrived in other parts of Meitan. For instance, a garden that features more than 10,000 varieties of flowers has been established to draw tourists to Longfeng Village of Xinglong Township.

Yu Bo, an entrepreneur hailing from Meitan, runs the whole tourism project in Longfeng.

Yu first struck success in 1998 by working on expressway project contracts. Ten years later, he shifted to the cement industry and later sold his cement factory to a state-owned company.

When the county government asked him to help develop tourism in Meitan last year, Yu agreed immediately.

Since then, Yu has invested 200 million yuan (\$30 million) in developing tourist facilities in Longfeng. Besides the flower garden, Yu has built a five-star hotel and a restaurant, creating a large number of jobs for local residents.

The land he used is rented from farmers at a cost of 12,000 yuan (\$1,794) per hectare a year, which increases by 300 yuan (\$45) on an annual basis.

As a result of the growing tourism industry, the value of Longfeng villagers' properties has increased significantly. The rent for a two-story building measuring around 300 square meters has increased from less than 10,000 yuan to 100,000 yuan (\$14,950) a year.

Yu said that he will invest another 200 million yuan in improving the infrastructure around the village's scenic spots this year.

## A thriving industry

Across Guizhou, village tourism has proved to be an effective tool for poverty reduction.

It's estimated that tourism projects have been carried out in more than 1,600 villages across the province, registering a combined annual revenue of more than 55 billion yuan (\$8 billion) and creating over 2.3 million jobs.

Guizhou has sound conditions for developing tourism. "Over 90 percent of the province is covered by mountains and hills, and the province has a rich variety of features such as valleys, waterfalls, caves, lakes and hot springs. Meanwhile, there are 49 ethnic groups in the province, who have diversified cultures," said Sun Zhigang, Governor of Guizhou. He added that Guizhou aspires to transform itself into a world-renowned tourist destination.

Yang Weiyi, Mayor of Tiantai Township in Chishui City, said that the biggest challenge for developing village tourism is the lack of funding. "More funding is needed to develop infrastructure such as roads," he told *Beijing Review*.

Bi Mingqiang, Chairman of the ICBC Standard Bank, suggested that local governments establish a fund to raise money through equity investments. Also, local governments should step up publicity campaigns to make their tourist destinations better known around the world, he said during the Eco Forum in Guiyang.

Wang Jun, a former economist at the World Bank, stressed that a lot more needs to be done besides funding, including improving the hygiene of local hotels, ensuring the supply of safe drinking water, and providing more convenient transportation. ■

Copiedited by Bryan Michael Galvan  
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# Moving Mountains

A region in China races to lift nearly 3 million villagers out of poverty

By Zheng Yang

Living in a remote mountain village in one of China's least developed regions in the northwest, Gao Shiquan was used to hardships. The 50-year-old farmer, struggling to survive on an annual income of less than 3,000 yuan (\$448), couldn't imagine things could get any worse—until a landslide buried his adobe home in 2013.

The disaster-stricken man tried to salvage whatever he could from the debris, but the light had gone out of his life. The catastrophe had made other villagers homeless too and thrust them deeper into poverty. And then, the silver lining appeared.

This year, the government of Gansu Province unveiled a relocation project for the struggling villagers. Gao and other residents were resettled in a nearby village in a block of modern apartments built for them by the government.

"I had never thought I could ever own such a pretty apartment," Gao said, relaxing in his new living room.

While Gao's story has a happy ending, the challenge for the local government remains. In 2013, one third of Gansu's population—6.9 million—was living in poverty.

According to the Chinese Government's classification, people with an annual income of less than 2,300 yuan (\$344) are deemed to be living below the poverty line, while internationally, it is regarded as a daily income of less than \$1.25.

So the challenge to uplift the status of Gansu's impoverished is a steep and protracted one. However, a variety of measures has seen progress since 2013, with 4 million people lifted out of poverty.

## Targeted measures

In China, relocation has been an important measure to alleviate poverty since the 1980s, especially for the geographically disadvantaged regions in northwest China. The mountainous central parts of Gansu, for example, which were regarded as unfit for



Xu Dehua at the hostel she runs in Huaqiao Village on June 29

human habitation by visiting UN officials, are plagued by drought and have limited arable land. Besides the economic hardship, the threat of frequent geological disasters hangs over villagers' heads.

Since 2012, over 630,000 people in the province have been relocated to safer places with better infrastructure. Another 50,000 will be added to that number by 2020.

Across China, altogether 2 million people will be relocated this year. The exodus, among other things, provides an opportunity for the impoverished villagers to move into modern apartments from their shanties.

"Housing is a critical indicator for anti-poverty efforts," said Bao Xiaowei, head of the People's Congress of Niangniangba Town in Tianshui City where Gao lives, who

has been leading anti-poverty initiatives in Gao's village.

Since the Chinese Government put forward the concept of "taking targeted measures to help people lift themselves out of poverty" in 2014, over 80,000 people's congress deputies at different levels, together with 400,000 Party members and government officials, have been assigned specific tasks in Gansu.

Yang Zixing, Vice Governor of Gansu, said the first task was to launch an investigation into the impoverished families. The investigators profiled each household, detailing their financial condition and the cause of poverty. Then solutions began to be tailored for each family.

For example, families with college-age students were earmarked for education loans, while those with members undergoing medical treatment received extra medical subsidies.

"Without such targeted measures, it's hard to ensure that individuals benefit from the government's anti-poverty policies," Yang said.

The new neighborhood that Gao has moved into has two kinds of apartments. The three-bedroom ones cost 115,000 yuan (\$17,000). Gao paid 65,000 yuan (\$9,713) from his savings. The rest came from an interest-free government loan.

Families with less money can choose the one-bedroom apartments, which cost half the price. They have to pay only 10,000 yuan (\$1,495), and the rest comes through a state loan. As for the aged and people without the capability to work, the housing is free.

In addition to the housing loan, villagers can receive another 50,000 yuan (\$7,500) free of interest to explore means of generating an income.

"It's good that people can move into a new apartment. But after that, they still need to find a way to feed themselves," Bao said.

According to him, the community will soon have a commercial center with investment from a local enterprise. The project will provide jobs to villagers from its construction, and once the center opens, there will be commercial and maintenance jobs for the entire village.

"We might have to find more laborers from the outside," Bao said.

## An invaluable lesson

Xu Dehua has never gone to school in her life. The 42-year-old comes from a poor rural family in southeast Gansu, in which only the youngest of her two siblings got an opportunity to go to school. As the eldest daughter, Xu used to think it was her destiny to be a farmer and then a farmer's wife, spending every day tending to her land and living on a meager income.

But things began to change four years ago when she was told her village would become a tourist resort. Xu received a loan of over 200,000 yuan (\$30,000) and became the owner of a hostel.

"I had no idea how to do it in the very beginning, but I felt like trying, to make a change," Xu said. "Those who refused to do so now regret it a lot."

The gross profit of the hostel over the past three months has crossed 200,000 yuan (\$30,000), and the establishment provides jobs to impoverished villagers. Thanks to her new income, Xu now sends both her daughters to college to study English and music respectively.

Located in a mountainous region in the eastern tip of Gansu, Kangxian County has been grappling with poverty due to its limited arable land. Over 80 percent of the householders live on hills or in deep mountain valleys, where developing either agriculture or industry is difficult.

In 2012, the local government decided to explore a new path of rural tourism, inspired by the county's location at the junction of three neighboring provinces and its green surroundings.

"We are going to turn the green mountains into gold mines," said Li Tingjun, Party Chief of the county. According to Li, 75 percent of the 350 villages in the county have adopted the same or a similar model



The apartment building complex that Gao Shiquan lives in

to develop their tourism or cultural industry. Over 10,000 families have benefited from the development.

Villagers in neighboring Chengxian County are also making their own way. Since 2013, over 900 online shops have been set up on e-commerce platforms and social media to sell local agricultural products. To build logistics channels, the local government has invested in road construction, increasing 4G mobile broadband coverage and personnel training.

Since then, sales via e-commerce have reached 469,000 yuan (\$70,080) and created 4,000 jobs. In poverty-stricken Caotan Village, for example, the poverty rate has been slashed. It was 73 percent in 2011. By 2015, it had shrunk to 4 percent.

## No resting on laurels

By the end of last year, Gansu's poverty-stricken population had decreased to 2.89 million—nearly 20 percent less than in 2013—but much needs to be done still.

"Honestly, the progress achieved is fragile and unstable," Yang said. "Children's education or a serious illness, any one of them could easily draw people back into poverty."

As a safeguard, a data platform has been

established to monitor the progress of the anti-poverty work and the situation of each household. To spur the efforts, while evaluating government officials' performance, the provincial government is taking into account the improvement in the lives of poverty-stricken groups instead of just economic indicators, as in the past.

According to Liu Xiaoshan from the Poverty Alleviation Office under the State Council, China's cabinet, 700 million people have been lifted out of poverty since China started reforms and opening up, an unprecedented achievement that was applauded by the UN in a report last year.

But Liu also admitted that the nation confronts challenges and difficulties to continue the progress.

"The more progress we achieve, the bigger the challenges we will face," Liu said.

Of Gansu's 2.89 million people remaining in poverty, nearly half are unable to work, according to Yang.

"We will continue to explore better measures to lift them out of poverty," Yang said. ■



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# In Pursuit of Global Growth

G20 members team up to mold a favorable environment for trade and investment **By Deng Yaqing**



Containers are loaded onto a vessel at Qinzhou Port, Guangxi Zhuang Autonomous Region, on May 19

**A**s the world shifts from the shadow of the global financial crisis, G20 economies are now reaching toward the goal of creating long-term governance mechanisms. While fiscal and financial policies topped the agenda in times of crisis, trade and investment facilitation measures are gaining traction amid a slowdown in global trade and investment growth.

"As an organization that covers economies that take up 85 percent of the world's economy, 80 percent of world trade and outbound investment and 70 percent of inbound investment, the G20 should improve trade and finance to help contribute to global growth," said Wang Shouwen, China's Vice Minister of Commerce.

From July 9 to 10, the first G20 Trade Ministers Meeting convened in Shanghai, during which the ministers agreed to improve global trade and investment governance. The G20 Trade Ministers Meeting Statement, the first of its kind in G20 history, was also released

after the meeting.

During the two-day meeting, trade ministers endorsed the Terms of Reference of the G20 Trade and Investment Working Group, the G20 Strategy for Global Trade Growth and the G20 Guiding Principles for Global Investment Policymaking. The ministers also reached an important consensus on strengthening the multilateral trading system and helping developing countries and small and medium-sized enterprises participate in and take full advantage of global value chains.

According to Gao Hucheng, China's Minister of Commerce, the meeting endorsed the Terms of Reference of the G20 Trade and Investment Working Group, establishing its cooperation scope and agenda, which deem that it should regularly report work progress to trade ministers and coordinators. In this way, the G20 can play a better role in global economic governance and

provide a stable mechanism for boosting the growth of global trade and investment.

"We cracked some real issues, because China took the initiative of setting up the trade and investment working group and put in lots of work which has been very productive," Rita Teatota, Commerce Secretary of India, said in an interview with the Xinhua News Agency.

Liang Guoyong, an economic affairs official at the United Nations Conference on Trade and Development, noted that the implementation of China's proposal on such major issues reflects China's efforts to improve the global economic governance structure and to promote the country's prominence on the global stage. Besides that, the results of the meeting have paved the way for the success of the G20 Summit that will be held in Hangzhou this September.

"G20 economies are both the major contributors and partners of global trade and investment. The consensus reached at the trade ministers meeting is vital to improve global trade and investment governance," said Zhang Jianping, a research fellow from the Academy of Macroeconomic Research under the National Development and Reform Commission.

## Boosting trade

In fact, global trade growth has slowed significantly since 2008, from an average of over 7 percent between 1990 and 2008, to less than 3 percent between 2009 and 2015. Last year marked the fourth consecutive year in which global trade growth stood below 3 percent, according to statistics from the World Trade Organization (WTO).

The WTO unveiled a new trade-related index called the World Trade Outlook Indicator the day before the meeting convened, aiming to provide real time information on trends in global trade. The current reading suggested that trade growth will remain weak into the third quarter of 2016.

"Of course, the recent deceleration of trade growth is to some extent a result of the global economic slowdown. Protectionism is also a major culprit behind it," said Wang.

According to a report published by the WTO on June 21, trade protectionism is resurfacing, and in some G20 countries, the problem has become quite serious. Bai Ming, a research fellow from the Chinese Academy of International Trade and Economic Cooperation, noted that since the eruption of the global financial crisis in 2008, some developed countries have been more inclined to protect local enterprises by instigating trade conflicts, rather than settling them.

Before the crisis broke out, Bai claimed that nations tended to expand their share in the international market by pursuing trade liber-

G20 trade ministers gather at the opening ceremony of their meeting in Shanghai on July 9

G20 2016 CHINA

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alization. In fact, regardless of the policies that these countries use—be they trade protectionism or liberalization—these are just tools used to maximize national interests in favor of an international division of labor.

Given that, G20 economies have recommitted to their existing pledge for a halt and rollback of protectionist measures, as well as this policy's extension until the end of 2018, according to the G20 Trade Ministers Meeting Statement.

Specifically speaking, countries should not release new protectionist measures, and should promise to gradually eliminate existing protectionist actions, said Bai.

What's worth mentioning is that the meeting endorsed the G20 Strategy for Global Trade Growth, in which participating economies will lead by example by lowering trade costs, harnessing trade and investment policy coherence, boosting trade in services, enhancing trade finance, and promoting e-commerce development.

Despite that, whether or not it can generate good results depends on flexible and efficient implementation, said Liang.

Beyond all that, the G20 economies promised that all the member countries will approve the Agreement on Trade Facilitation by the end of this year and try to reduce global trade costs by up to 15 percent.

Ning Gaoning, President of Sinochem Group, estimated that global export value would increase more than \$750 billion if the Agreement on Trade Facilitation is fully implemented.

### Guiding investment

The role of investment in driving global economic growth has been dwindling since

the outbreak of the global financial crisis. Although global investment soared 38 percent in 2015 due to a surge in cross-border mergers and acquisitions, reversing the declining trend in the previous four years, growth still fell short of the highest level, which was recorded before the financial crisis occurred. What's worse, global investment growth is expected to level off at 10 to 15 percent this year, according to Gao.

Meanwhile, by the end of 2015, a total of 3,304 international investment agreements had been signed worldwide, including 2,946 bilateral ones and 358 other agreements that include investment content, according to statistics from the United Nations Conference on Trade and Development. These agreements, differing from each other in terms of the level of protection and degree of market opening, restrain further global investment growth.

To provide momentum for global investment, the G20 Guiding Principles for Global Investment Policymaking urged the G20 economies to fight against cross-border investment protectionism and create open, non-discriminatory, transparent and predictable conditions for investment. The guiding principles also call for the strengthening of investment protection, the ensuring of transparent policymaking, the promoting of investment to realize sustainable development and the observation of corporate responsibilities.

G20 economies laid out their common points in investment-related policies, agreed on investment system reform and formulated the non-binding Guiding Principles for Global Investment Policymaking, which sent a positive signal for promoting investment

facilitation, reducing unnecessary artificial barriers and fueling economic growth, said Xu Hongcai, Director of the Economic Research Department at the China Center for International Economic Exchanges.

In the realm of international investment, no multilateral framework has been set up that can play a leading role like what the WTO has done for global trade. Since countries are at different stages of economic development and have different scales of investment, there have been great divergences regarding the requirements for such an international investment system, said Han Bing, an associate researcher from the Institute of World Economics and Politics under the Chinese Academy of Social Sciences.

Since a global uniform multilateral investment agreement is not likely to come into being in the short term, the G20 Guiding Principles for Global Investment Policymaking can temporarily fill in the blank, said Han.

Gao suggested that the new principles have established a general framework for global investment rules and provided an important direction for the formulation of domestic investment policies and the negotiation of foreign investment agreements.

It also represents a historic step toward bridging the differentiation of inter-state investment policies and intensifying multilateral investment policy coordination, and will serve as institutional guidance to foster global investment growth in the long term, said Gao. ■

Copyedited by Bryan Michael Galvan  
Comments to dengyaoqing@bjreview.com

## OPINION

# Say No to Obsessive Banking Expansion

The UK's *The Banker* magazine recently unveiled its 2016 Top 1,000 World Banks rankings, among which 119 are Chinese banks, with 17 making it to the top 100. Sorted by the size of their Tier 1 capital—the core measure of a bank's financial strength from a regulator's point of view—four Chinese banks are ranked among the world's top 10 this year, with the Industrial and Commercial Bank of China topping the list for the fourth time in a row.

The number of Chinese banks holding positions in the top 10 list increased from zero in 2004 to four in 2016, an inspiring transformation that indicates a rise in the strength of Chinese banks' capital. But simmering risks also belie these achievements. A comparison between the 2015 and 2016 rankings shows that the growth of Tier 1 capital slowed substantially among Chinese banks that made it to the top 10.

How important is Tier 1 capital for commercial banks? All in all, it's a core shield that protects banks from risks. The major function of a bank's total capital, composed of Tier 1 and Tier 2 capital, is to cushion against losses and protect banking operations. Current regulations in China stipulate that the Tier 1 capital ratio in commercial banks should be no less than 6 percent and that the capital adequacy ratio should not drop below 8 percent. There are two ways to supplement these financial assets: internal bolstering—mainly from retained banking profits—and external supplements including issuing common shares, preferred shares and bonds.

For Chinese banks, such internal supplements or retained profits account for the bulk of their capital buttressing. The slowdown of Tier 1 capital growth in Chinese banks is mainly caused by the slowing growth of net profits. As China's GDP growth declined from 9.5 percent in 2011 to 6.9 percent in 2015, banks' profits took a nose-dive from 39.3 percent to a mere 2.3 percent.

There are two reasons for the slowdown: Firstly, the continuous growth of non-performing loans has eaten into profits. Secondly, Chinese commercial banks still rely on the sheer expansion of their size to achieve more profits, buying into "the bigger, the better" mentality. Their businesses nonetheless lack differentiation as well as specialization, and their counter-cyclical management capacity has yet to be improved.



People queue up at a branch of the Industrial and Commercial Bank of China in Changzhou, east China's Jiangsu Province, on January 16

It's worrying that some banks are still obsessed with their speed of expansion and seek to open more branches in more areas. By doing so, they will not only miss the opportunities made available through business transformations and upgrades, but also sow future credit risks.

Taking these factors into consideration, how can they shake off their obsession with unabated expansion and instead realize the transformation and upgrading of their business models?

To begin with, banks should reduce their reliance on interest rate differentials and diversify their sources of income. As China presses ahead with interest rate reforms, the gap between the deposit rate and loan rate is narrowing, dealing a heavy blow to the traditional profit model of commercial banks. Therefore, banks should further adjust their operation structures and explore more sources of income to realize sustainable profit growth. In reality, new profit momentum mainly comes from banks' retail businesses, overseas business and subsidiaries.

Second, banks should develop specific financial products and cultivate their core clients through differentiated and specialized business models based on their respective strengths. Some Chinese banks are taking

action in this respect.

The Industrial and Commercial Bank of China and the Bank of China, for example, are both prioritizing their overseas financial services as well as their expertise in international operation by offering loans, financial leases, clearing of global trade and overseas mergers and acquisitions services to Chinese companies, especially those that are developing their businesses along the Silk Road Economic Belt and 21st Century Maritime Silk Road. Some small and medium-sized banks now focus on low capital-consuming businesses including asset custody, bank bills and gold leasing.

Third, banks should change their performance appraisal system, which currently pays too much attention to expansion but ignores their profitability and resistance to risk. Moreover, their capability in terms of cost management, capital allocation, pricing of capital and risk treatment should be improved, and a counter-cyclical management style should be supported. ■

This is an edited excerpt of an article published in *Economic Daily*  
Copyedited by Bryan Michael Galvan  
Comments to [yushujun@bjreview.com](mailto:yushujun@bjreview.com)

## NUMBERS

(\$1=6.6 yuan)

### 175 bln yuan

Worth of green bonds issued in the first half of 2016 in China, accounting for 33 percent of the world's total issued so far and making China the world's largest green bond market

### \$3 bln

Worth of the first green bond issued by the Bank of China (BOC) Luxembourg Branch, together with the BOC New York Branch

### 15%

Production capacity that China's state-owned steel and coal enterprises should cut in the next five years

### \$27.3 bln

Money spent by Chinese purchasing real estate in the United States from April 2015 to March 2016

### Mergers and Acquisitions Market Jan-Jun

Number of cases

M&As among domestic companies



Total value (bln yuan)



Chinese companies' overseas M&As

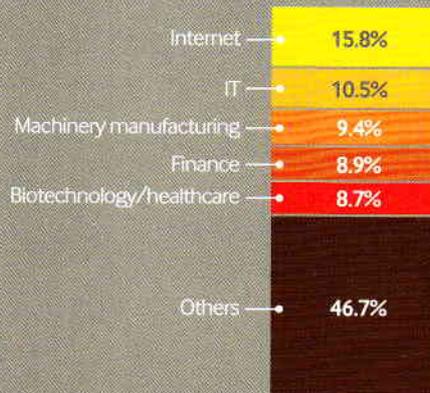


M&As by foreign companies



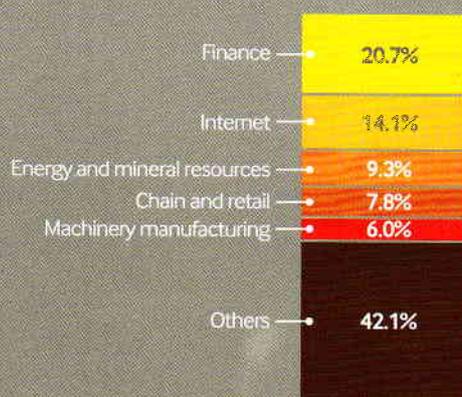
### Top Five Sectors in Mergers and Acquisitions Cases

Jan-Jun



### Top Five Sectors in Mergers and Acquisitions Value

Jan-Jun



(Source: Zero2IPO)

### 139 mln tons

China's summer farm output in 2016, a year-on-year decrease of 1.2 percent

### 30.44%

Proportion of German car producer Audi AG's sales in China against its global sales in the first half of the year

### 330 mln yuan

Profits of China's biggest producer of alumina and primary aluminum—Aluminum Corp. of China—in the first half of the year, the best first-half performance in the past five years

### 10.8%

Year-on-year growth of passenger trips in China's civil aviation sector in the first half of the year

Held under the banner of the Forum on China-Africa Cooperation, the China Africa Industrial Forum (CAIF) is committed to promoting development and cooperation between China and African countries. It aims to encourage rapid and sound economic development in China as well as African countries and boost exchanges and cooperation in politics, the economy, culture, science and technology, and tourism.



CAIF—The Bridge of China-Africa Cooperation

Launched in 2009, the biennial forum has been held four times, witnessing the signing of agreements on more than 300 investment and procurement projects. It has helped a large number of Chinese enterprises start business in Africa and African countries learn more about China.

## The Authority Brand Forum Think Tank of China-Africa Cooperation



The First CAIF kicked off in Beijing in 2009.



CAIF and Beijing Review signed a strategic cooperation agreement.



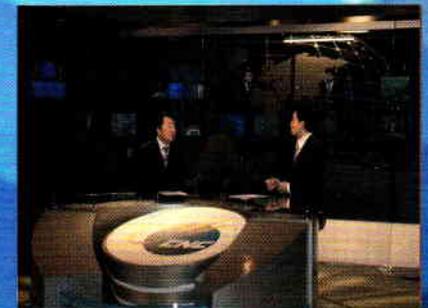
Thousands of people from China and African countries took part in the Fourth CAIF.



Seminar on Legal Risk of Africa Investment & Establishment Ceremony of Africa Legal Affairs Center



Seminar on Africa Energy and Mineral Resources



Cheng Zhigang, Secretary General of CAIF, was interviewed by Xinhua News Agency.





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A still from *Song of the Phoenix* in which You Tianming (center) learns to play the suona

# In the Name of Art

Can a “creative” marketing plan herald in a new trend in art-house film promotion? By Li Nan

In an unprecedented move of sheer desperation, it took the kowtowing antics of a movie producer to catapult a film’s popularity and push its earnings into the multi-millions.

*Song of the Phoenix*, an art-house film featuring relatively unknown actors, graced local headlines this summer for all the wrong reasons. In a bid to revive the film, which returned a poor screening rate of less than 1 percent in its first week, 63-year-old producer Fang Li was seen kowtowing for more cinema screening slots on a live-streaming interview. Fang’s bizarre plea saved the film. Many moviegoers, out of either curiosity or sympathy, flocked to theaters to watch the film.

By July 6, *Song of the Phoenix* had grossed unexpectedly high box office earnings of \$13 million after its two-month release ended in China—a rare feat for movies of this genre.

The film is a tale about two generations of Chinese folk musicians who dedicate themselves to playing the *suona*, a double-reeded horn used frequently in combination with other

musical instruments in traditional wedding and funeral ceremonies. Among all the tunes played with the *suona*, *Song of the Phoenix* is the most complicated, requiring exceptional skills. It’s usually reserved for the funeral of a highly respected person.

You Tianming, a young, talented *suona* apprentice with high moral integrity, is chosen by his master to play *Song of the Phoenix*. It takes You years to study the tune before managing to form his own troupe, only to discover the painful truth that the music played with the *suona* is becoming outdated in modern China. How can Chinese folk culture struggle to survive in a modernized country? This is the question raised by the film.

Lu Wei, an eminent Chinese scriptwriter, hailed *Song of the Phoenix* as the only movie released this year that provides an authentic representation of China’s folk culture. And it won the Special Jury Prize at the 2013 Golden Rooster and Hundred Flowers Film Festival, one of China’s top film festivals.

Named after the *suona* tune, the film was the swansong of director Wu Tianming (1939-2014), a renowned filmmaker and godfather of China’s fifth-generation directors who include Zhang Yimou and Chen Kaige. Wu, born in northwest China’s Shaanxi Province, received many accolades including a range of domestic and international awards in the 1980s for *Old Well* and *Life*. Shortly after *Song of the Phoenix*’s completion, Wu died of a heart attack in March 2014. The film’s release was subsequently postponed for two years.

## Begging bowl

*Song of the Phoenix* has been on a roller coaster ride over the past two months. Before its premiere, many filmmakers, including Ang Lee, the Oscar Award-winning director of *Crouching Tiger, Hidden Dragon*, Zhang Yimou, director of *Hero*, and Chen Kaige, director of *Farewell My Concubine*, voiced their support for the film. When it opened on May 6, the film was rated

8.4 points on a 10-point scale on Douban, a Chinese book and movie review website, outperforming 85 percent of other features.

But the film flew under the radar for many moviegoers. Its box office performance was less than 3 million yuan (\$448,500) in the first week, barely enough to cover marketing costs. The screening times of either early morning or after midnight didn't help matters.

To save the film, Fang put his ego aside and went on his knees to beg for more screening opportunities. His efforts clearly got his audience's attention, while also fulfilling the last wish of a deceased and respected director and helping to preserve traditional culture. As a result, *Song of the Phoenix* earned a much larger audience and a mass release nationwide. More than 300 theaters across China arranged prime-time slots for the movie and its screening rate shot up to 10 percent at one point, which is usually the peak for a film.

The film continued to surprise when its release period was prolonged to two months, thanks to persistent praise from audiences. Its \$13 million earnings are among the largest box office receipts generated by Chinese-language art-house films in recent years.

Yet, some have criticized the kowtowing as a promotion stunt that has set a bad example for film marketing. Shi Chuan, Vice President of the Shanghai Film Association, said, "Any behavior that is not in accordance with market rules will harm the healthy development of China's film market."

## Carving a niche

In fact, pleas are a frequently used strategy to get audiences to fill seats for Chinese art-house films, which have long struggled to find a niche market.

But not every art-house film in China is as lucky as *Song of the Phoenix*. *Red Amnesia*, a 2015 film by renowned sixth-generation director Wang Xiaoshuai, failed to solicit filmgoers' support after Wang wrote a public letter.

One explanation for the box office failure is that most Chinese moviegoers prefer star-studded blockbusters with special effects, said Wang Yao, an assistant fellow with the Department of Film Studies at Beijing Film Academy. Yet, art-house films are usually produced on a shoestring budget with a non-star cast and scant use of special effects. Consequently, they have less



A poster for *Song of the Phoenix*

public appeal.

Lack of marketing funds and promotional experience is another reason for the failure. "Given their tight budget, funds for promotion are insufficient. Consequently, most marketing companies are reluctant to take orders from art-house filmmakers," said Li Jun, a veteran film critic and founder of Blowup Films, a marketing company specializing in promoting art-house films, in an interview with *Oriental Outlook*. For example, *Song of the Phoenix*'s marketing budget amounted to \$448,500, far less than that of most commercial films.

In addition, many art-house films don't feature current trends, making it more difficult for them to engage a large audience. Theaters thus end up squeezing out art-house films to make more screening time for profitable blockbusters.

However, there are some successful art-house genre productions that have bucked this trend. *Black Coal, Thin Ice*, a 2014 Chinese art-house thriller and winner of the Golden Bear, the top prize at the prestigious Berlin International Film Festival, raked in more than \$16 million

in earnings. *Mountains May Depart*, a 2015 film by Jia Zhangke, a leading figure among China's sixth-generation directors, took nearly \$4.7 million in box office sales after running 17 promotional road shows in a row.

China's film market is the world's second largest, with box office takings of \$6.8 billion in 2015, according to the State Administration of Press, Publication, Radio, Film and Television (SAPPRFT). As long as a film is good enough and the producers apply proper marketing strategies, art-house films can also captivate target audiences, and make profits.

## Help at hand

One possible solution for developing art-house movies lies in the segmentation of China's film market. More cinemas dedicated to showing art-house films should be established, say film experts. This will provide more access for those who love this genre.

"It takes a longer time for art-house films to recoup the cost of filmmaking; therefore specialized cinemas are needed to enable such movies to be released in a low frequency over a long time," Wang told *Beijing Review*.

Currently there are only three specialized cinemas releasing art-house films in Beijing, a city with more than 21 million residents.

Another solution being discussed by filmmakers is the development of more effective promotion strategies and marketing campaigns. Art-house films are badly in need of help from professional marketing teams to reach their audiences, said Li, who was previously head of Rearwindow Film, a Jiangsu-based movie marketing company. In mid-June, Li set up Blowup Films in Shanghai. One of the strategies that Blowup Films plans to use is organizing salons for target audiences to generate free word-of-mouth advertising.

Another piece of good news is that the Central Government has decided to fund art-house filmmaking. According to regulations jointly issued by the Ministry of Finance and SAPPRFT last year, quality art-house films will be subsidized. ■

Copiedited by Francisco Little  
Comments to [linan@bjreview.com](mailto:linan@bjreview.com)

## Understanding China Through Keywords

Learning keywords is one of the best ways to keep abreast of the latest developments in a country. The China Academy of Translation, a research institute affiliated with the China International Publishing Group, the country's leading international publisher, regularly analyzes prevailing Chinese terms in various sectors and translates them into a number of foreign languages ranging from English to Arabic. In each issue, *Beijing Review* presents a selection of these keywords to help readers know more about China.

### The general premise of socialism with Chinese characteristics

Socialism with Chinese characteristics is premised on the fact that China is in the primary stage of socialism. All reform initiatives by the CPC and the Chinese Government must be taken with due regard to present-day China's actual context. Efforts to promote economic, political, cultural, social and ecological progress must proceed on a clear understanding that China is still in the primary stage of socialism. Such an understanding should inform all aspects of our work, including long-term planning and day-to-day operations, even when our economic aggregates have shown clear improvement.

### Socialism with Chinese characteristics

The concept of socialism with Chinese characteristics was first highlighted by Deng Xiaoping when he addressed the opening ceremony of the 12th National Congress of the CPC in 1982. He emphasized the importance of integrating the universal truth of Marxism with China's realities, pursuing a path of our own, and building a socialist society with Chinese characteristics. Since then, this concept has been prominently embedded in the CPC's theoretical thinking and in all aspects of its work.

The concept consists of three pillars, namely, our chosen path toward achieving our goals, a theoretical framework that offers guidance to action, and our political system that provides a fundamental basis to ensure that we proceed on the right track. All three pillars are integral to our great endeavor to build a socialist society with Chinese characteristics. By applying theoretical guidelines to practical needs, this concept provides a convincing answer to the central question: What type of socialism best suits the specific context of China, a large country with a huge population and a weak economic base, and how could we build such a socialist society?

The imperative to build socialism with Chinese characteristics is premised on the fact that China is in the primary stage of socialism. Our overall approach is to promote economic, political, cultural, social and ecological progress, while our overarching goals are to bring about socialist modernization and the great renewal of the Chinese nation.

### The Chinese strength

China's strength lies in the support of the Chinese people, including Chinese workers, who constitute a dominant force, and people in non-public economic sectors and other emerging social groups. It is built on the unity and cooperation of the Communist Party of China (CPC) and other political parties in China and people without party affiliation, and the unity of all ethnic groups on the basis of equality as partners that help each other and live in harmony. It is also highlighted by the unity of the people on China's mainland, and in Hong Kong, Macao and Taiwan, and overseas Chinese, to be reinforced by all other forces that can be mobilized and can contribute to achieving our common goals. It is the combined wisdom and strength of the 1.3 billion Chinese people, of whom over 88 million are CPC members, in their quest to make the Chinese dream a reality.



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# The Chinese Miracle

By Muhammad Shahbaz Sharif



The author is the governor of Pakistan's Punjab Province

As a young schoolboy, China for me was a little red book. Intrigued by pictures of smiling children proudly holding the book aloft and reading through the pages, I also wanted to partake in its magic. And that's how I learnt about a party called the Communist Party of China (CPC). But as I grew older, I realized that unlike most political parties, the CPC was more of an ideological entity. How else does one describe such a platform with 88 million committed members? The CPC is not one of the many miracles of China, it is the miracle maker.

The CPC and China are two sides of the same coin. It is impossible to distinguish

between the CPC and modern China itself, because the story of China is the story of the Party—a story of epic success achieved not by mere chance but through dogged resolve and masterful planning.

Two elements have made China great: the endless energy and hard work of the people, and the generations of leadership provided by the CPC. These visionaries provided continuity and kept the ship steady and on course, regardless of changing circumstances and realities across the globe. China's peaceful rise in becoming the world's second largest economy and a global power of paramount importance is due to the dedication of the Party. It was only recently that the CPC embarked on a journey of bringing China to the world, and today the world comes knocking at its doors. Achieving excellent economic growth rates for three decades testifies to the loftiness of the Party leadership's long-term strategies.

Up until the 1920s, China was reeling like many other nations in the world: a country without direction or a true sense of identity. New China may have been born in 1949, but the seed was sown in 1919 by the May 4th Movement, and the seed's germination began when visionary leaders, including the great Mao Zedong, formed the CPC in 1921.

Modern China was not built overnight. The CPC inherited a country unsure of itself—a China that had been subjugated and brutalized through protracted wars and imperial influence. The year 1949 changed everything. From the ashes emerged a unified country and by design, the first few decades were inward facing. The Party provided the bedrock on which the Chinese leadership set foot on a painstaking path, building the nation brick by brick from the ground up.

China changed forever in 1978. To understand the spectacular rise of China as a global powerhouse, it is imperative to comprehend the CPC. To the benign, it may appear to be a stern, single political apparatus controlling all state affairs, but informed insight reveals a persistently evolving ideological creature that is neither rigid nor a hostage to its own past.

It was in late 1978 when the CPC central executive meeting led by the iconic Deng Xiaoping shifted the focus to economic reform,

introducing a raft of policies that opened the nation up to the outside world and ushering China into a new period of progress.

By the 1980s, China had clarified its rebuilding agenda. Foreseeing the needs of the future, the Party pursued objectives that would transform China into an economic superpower. With Deng's sagacity and the Party's complete support, China's economic liberalization created a miracle that is still hard to fathom and has catapulted China into the global stratosphere.

Over the decades, the CPC has given China a strong identity, a resolute sense of purpose and self, and transformed the once slumbering giant into a global, economic, military and strategic power.

The Party and the Chinese leadership predicted that global respect and recognition would follow once the effects of China's reforms became clear. The 21st-century China is not only an economic giant, but also a genuinely multi-dimensional economy that has invested meaningfully in human development. Health, education, and rural support form the backbone of China's new policy. It is no wonder that today's China is reaching for the moon, Mars, and beyond.

## Dear Readers,

Forum is a column that provides a space for varying perspectives on contemporary Chinese society. We invite you to submit personal viewpoints on past and current topics (in either English or Chinese).

✉ yanwei@bjreview.com

Please provide your name and address along with your comments

Over the decades, the CPC has given China a strong identity, a resolute sense of purpose and self, and transformed the once slumbering giant into a global, economic, military and strategic power



PHOTO: GETTY IMAGES

In May 2015, a cargo ship berths at the quay of the Gwadar Port, the southern starting point of the China-Pakistan Economic Corridor

The CPC defies conventional wisdom and logic pertaining to political outfits. This dizzying pace of transformation could only have taken place because a robust body, the CPC, stood firmly behind the strategy.

China is now a formidable military power. Its might on land, in the skies, and at sea is profound, while its space technology is also evidence of its rapid development. This would not be possible if the CPC had not shown its wisdom over past decades. If we observe closely, we can spot a method at play here. It is a classic display of collective wisdom deployed for the individual good.

Today, China is led by the dynamic President Xi Jinping, a loyal son of the country and the Party. His vision of proposing the Belt and Road Initiative is nothing less than historic in nature—it is epic—both bold and futuristic.

Just as an ancient road opened ancient China to the world, President Xi appreciates that the new rising China needs to meet the world via modern routes that can become

pillars of trade and movement, bringing talent and knowledge to countries that are strung together via the Belt and Road project—the pearls on a string—that will make the world more prosperous and peaceful.

Pakistan and the China-Pakistan Economic Corridor (CPEC) are at the vanguard of this project. China understands that for Pakistani prosperity to happen, energy, roads and ports are needed. That is exactly what it has done, and the \$46 billion CPEC is already rolling along merrily. This will become operational from next year, ready for the world to see. This is another example for which the credit must go to the CPC and its visionary leader, President Xi.

We describe our time-tested friendship with China as, “higher than the Himalayas, deeper than the deepest seas, and sweeter than the sweetest honey.” This bond evolved almost simultaneously with the CPC. I call it a shared evolution. Pakistan and China have remained close partners through thick and thin, and it is the CPC which has provided the longevity and

institutional continuity.

The CPC deserves credit for overseeing the “economic miracle” that lifted around 700 million people from extreme poverty within a timefráme of around 25 years. This rapid transformation of people’s livelihoods has set an example worthy of emulation for other developing countries. It has changed the idea of population growth being a burden into a concept of it being a highly productive asset.

On a planet facing multiple challenges and torn by strife, China’s peaceful rise is a source of stability and rationality. China is bringing a much needed balancing and moderating influence to the world order and is a strong advocate of a multilateral global architecture under the auspices of the United Nations.

I wish the Party the happiest of birthdays. May there be many more, and may China-Pakistan friendship rise to even greater heights for years to come. Amen. ■

Copyedited by Dominic James Madar

# Adapting to China

By Belal Mohamed Babiker



African students play games together with Chinese peers at an acrobatics school in Hebei Province on June 1

People in Beijing, especially Chinese, often say they feel mystified when meeting me for the first time. I look Indian, but I speak fluent Chinese, and I come from Sudan. I am here because I love languages and I wanted to learn Chinese. But, I am also here because Arabic, the language I speak back at home in Khartoum, is becoming increasingly important in China.

When I was a mass communications student at the University of Khartoum, I wanted to learn a new language. While exploring which one would be best for me, I discovered a government-sponsored program that annually selects 25 Sudanese students to study Chinese in China. So, I applied with alacrity, but it was not easy. I was not among the first chosen few but was put on a waiting list. I waited patiently, as I still had the desire to go to China and learn Chinese. Finally, after graduation, I was told I had been selected for a two-year Chinese course at the Beijing Language and Culture University. Of course, I immediately accepted.

It was mid-2009 when I first arrived in Beijing as a wonderstruck 22-year-old. From

there, fast forward to 2012, and you have a new Belal Mohamed Babiker—that's me—speaking Chinese at the drop of a hat thanks to two years of slogging to master the language, mingling with people freely, and effortlessly accomplishing feats that daunt less linguistically capable foreigners in China, such as opening a bank account. My newly acquired language ability also helped me to land a job in China with ease.

I now work in the Arabic-language division of China Radio International (CRI), a multi-language broadcaster based in Beijing. We have a five-member team comprising two Sudanese and one person from each of Egypt, Mauritania and Algeria. Cooperation is growing between CRI and African radio stations such as those in Sudan and Mauritania. And, besides regular FM broadcasts of Arabic programs in Africa, CRI also produces podcasts and posts on social media in Arabic.

As China's economic and diplomatic ties grow with the Arabic-speaking Middle East and North Africa, Arabic is becoming an important resource for China. Chinese students are realizing that knowledge of Arabic can improve

their job prospects. Many large Chinese consumer electronics companies have factories in Shenzhen, south China's Guangdong Province, from where they do business with Middle Eastern countries, and in commercial centers in China like Guangzhou and Yiwu, Africans and Arabs often engage in business.

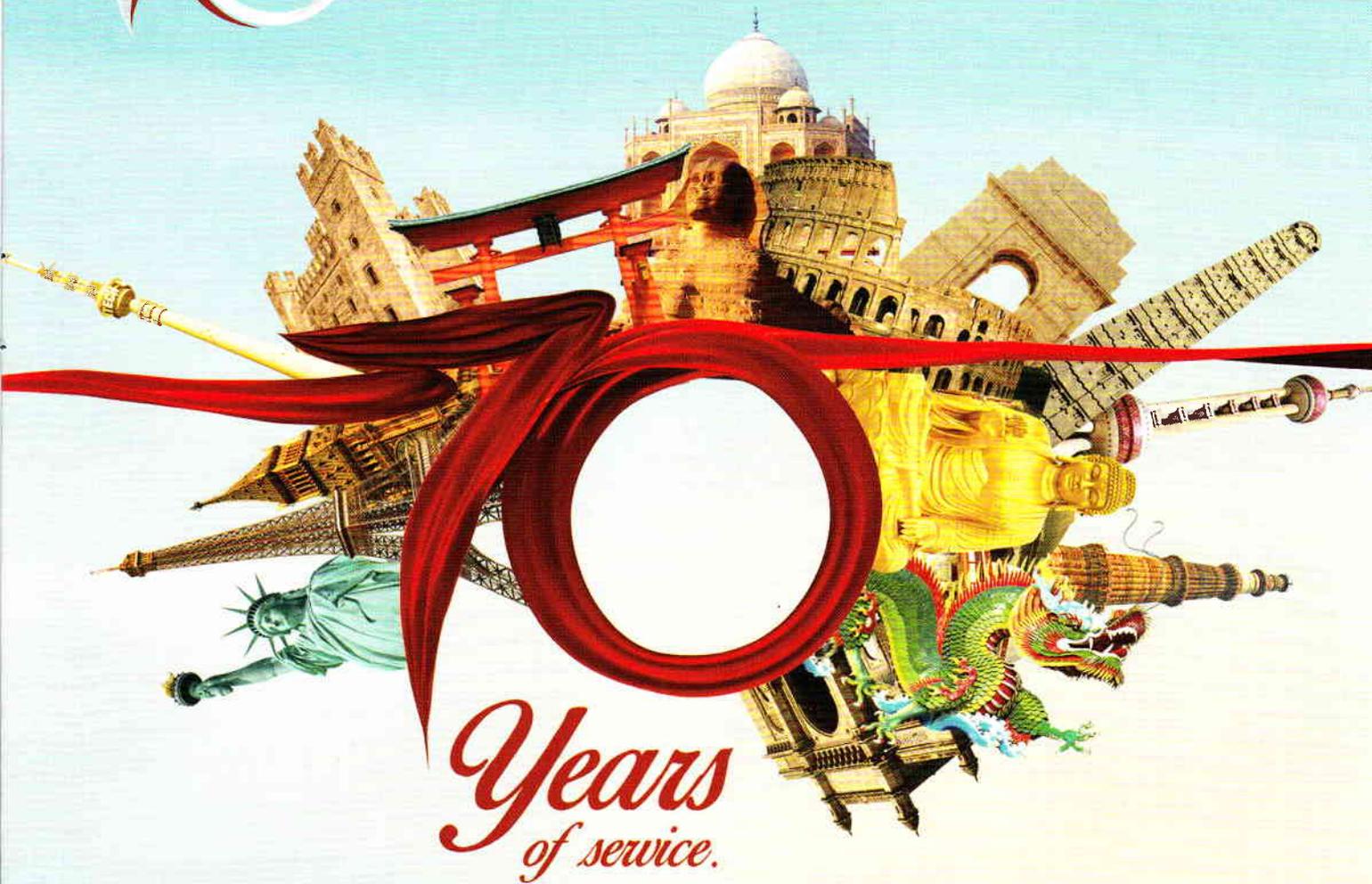
The Arabic presence in China facilitated my own arrival and stay here. When I first arrived in Beijing, it was the first day of Ramadan, Islam's holy month, when Muslims fast during the day as a purification ritual. Since I was traveling—taking a 12-hour flight from Khartoum to Beijing via Dubai—I was exempt from fasting. Relatives of mine in Beijing met me at the airport

and took me to their home. So, I had to deal with none of the problems which first-time visitors with no knowledge of Chinese tend to face.

Later on, when I joined the university, I found to my indescribable joy a community of Sudanese students which included a couple of my classmates from Khartoum. We formed a group and also began to cook together, which alleviated the food issues we faced in China due to the prevalence of pork, which Muslims do not eat. At prayer time, we went to the Sudanese Embassy, which allowed Sudanese in Beijing to meet and to pray there. I was overwhelmed.

Now, I have been in Beijing for nearly seven years. I consider myself a veteran, and every year, I get together with friends to observe Ramadan just the way we would at home. This time, I enjoyed the best of both worlds; I spent part of the holy month, which lasted from June 6 to July 5, in Beijing before returning home on June 30, just before the big finale, to celebrate with my family in Khartoum. ■

The author is a Sudanese living in China



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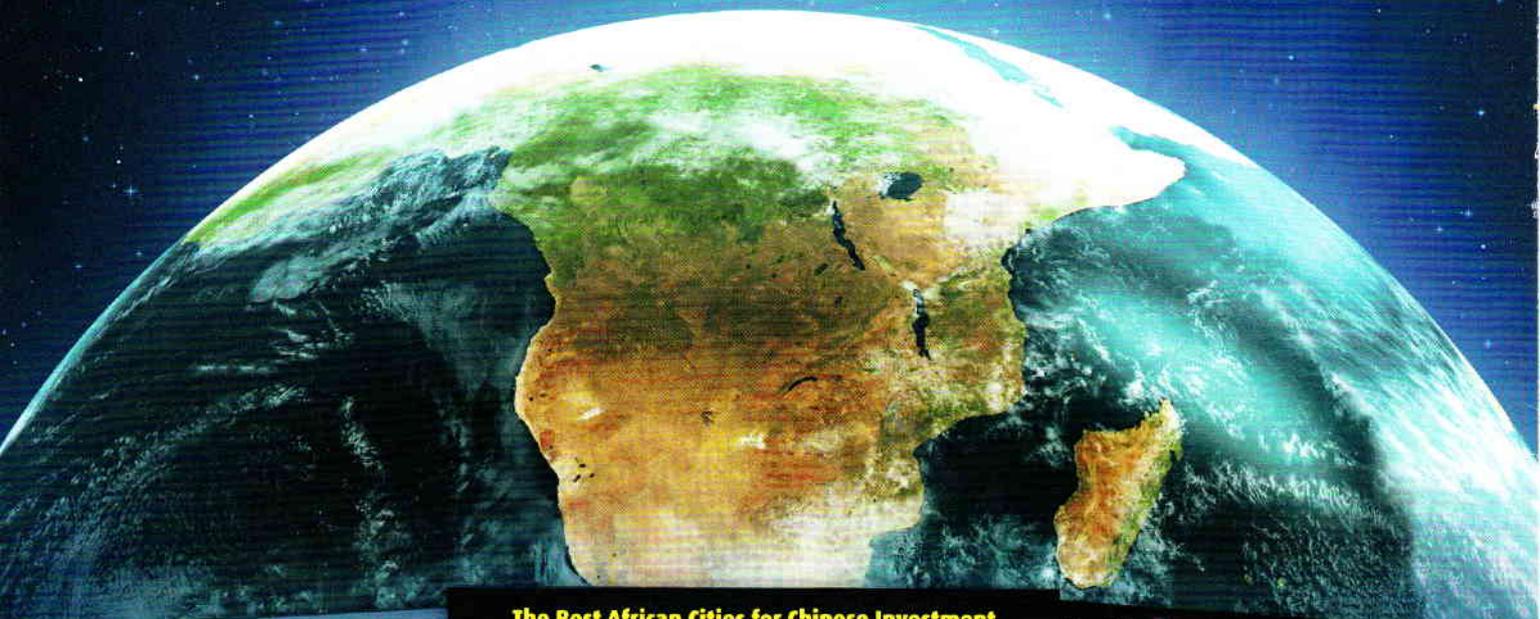
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