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# BEIJING REVIEW

## WTO Makeover Complete

But is China fully open  
to foreign business?



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CHINESE WORKERS' UNIONS GET SOME TEETH

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**COVER STORY** Banking, insurance and securities are said to be the three pillars of China's financial sector. Securities to some extent are still impenetrable by foreign investors. Meanwhile, insurance is considered to be the most open industry. So in the run-up to China's December 11 deadline to complete its obligations to the World Trade Organization (WTO), most insiders' eyes carefully observed banking. In the end, banking was successfully opened as well—and in some aspects, ahead of schedule. Already by 2003, for example, foreign banks were able to conduct renminbi business for Chinese enterprises. Now the renmibi market is even more fully open. Certainly this means more competition for domestic Chinese banks. But for other Chinese enterprises, like small and medium-sized enterprises, this is a welcome development, as they are sorely in need of better financing channels. Clearly, foreign banks are happier with more market access. In the end, domestic banks may be too, as it may push them to become better competitors in the inevitable push toward globalization.

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## EDITOR'S DESK

# An Exciting Market

By ZHANG ZHIPING

**M**arking the fifth anniversary of China's entry into the World Trade Organization (WTO) and also the last year of the transition period to fully open markets, one of the world economic engines in 2006 has been in the spotlight. On December 11, China fully opened its financial market in line with its WTO commitments, which guarantee foreign banks equal national treatment with their Chinese counterparts to engage in renminbi business.

Obviously, the end of such a transition period has a big impact on indigenous Chinese financial institutions, as they are facing significant changes in areas ranging from market competition to the regulatory environment. Further opening to outsiders will of course challenge China's financial service enterprises, but it also means huge business opportunities and development potential for the market.

Dissent has been on the rise, focusing on control over the pace and degree to which the market should be opened. At the same time, some experts are anxious about China's financial security. Evidently, the General Agreement on Trade in Services has encompassed more than 95 percent of the world's financial trade in services in its program toward trade liberalization. China will also be assured of a more open international financial environment in the global market.

Against the backdrop of globalization, foreign institutions' access to China's financial market is a must, sooner or later. As a matter of fact, China has honored most of what it had pledged within the framework of its WTO entry agreement. If the previous fulfillment of commitments should be seen as a passive acceptance of relevant rules and regulations, China's further financial openness to the outside world will take on a more proactive approach.

The three components of China's financial industry—banking, insurance and securities—are moving at different paces in the opening-up process. The insurance sector has been most connected to the overseas market, with banks following and the securities sector bringing up the rear. Through the development of a few years, foreign institutions invested in the Chinese mainland are still testing the market, with many fewer clients and smaller assets than their Chinese counterparts. Statistics show that, to date, there are only around 200 foreign-funded financial institutions, occupying less than 2 percent of the total capital volume in the Chinese market. Lacking a complete network, it is predictable that foreign competitors won't pose much of a threat to local industry leaders over the short term. By contrast, the business of Chinese companies has been greatly promoted as corporate governance has been improved, products have been diversified and service programs have been tailored to meet customers' needs.

Actually, China's financial industry has been awakened by its foreign rivals in the course of opening up. As Wu Xiaoling, Vice Governor of the People's Bank of China, the central bank, said, the current financial reform has helped the Chinese people come to realize the effectiveness of financial tools and well adapt to the overseas capital to balance China's economic development. In addition, Chinese financial institutions have significantly improved their management capacity. And the overseas financial institutions pouring into China are also sharing in the prosperity of the Chinese market.

China's financial reform and opening up will be a lasting and difficult process in which the Chinese Government will adhere to its fundamental policies and steadily push forward other facilitating reforms to create a more orderly and healthy financial market for a more efficient cooperation with international partners.

For this purpose, an open global financial market is also of vital importance.

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

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**"No, sir."**

U.S. Defense Secretary nominee Robert Gates, answering Democratic Senator Carl Levin of Michigan when asked if the United States was winning in Iraq at his confirmation hearing on December 5

**"Compromise inherently means stepping back by both sides. Both sides have to give up their positions and step back. If one of us is not prepared to step back, we will not reach a solution."**

Pakistani President Pervez Musharraf, saying his country is prepared to give up its claim to Kashmir if India reciprocates and approves self-governance for the Himalayan territory

**"Those who are fully aware they are infected with the AIDS virus and deliberately infect others should be severely punished according to law."**

An official with China's Ministry of Public Security, speaking on December 5

**"Our fundamental view is the regulation should be withdrawn and reconsidered in its entirety after thorough consultation with exporters. And many of the goods embargoed by the regulation are readily available to China's military from alternative sources, both foreign and indigenous."**

In a letter to the U.S. Commerce Department, a coalition of manufacturers, software companies and hi-tech industry groups urged the U.S. Government to scrap a proposal to tighten national security controls on exports to China

**"I expect a massive reaction from the people, a peaceful reaction. I think sooner or later the military will have to come to its senses."**

Fiji's Prime Minister Laisenia Qarase, speaking in a telephone interview after he was deposed by a military coup, adding that the majority of people wanted a return to the "rule of law"



CHINA DAILY

## 'Left Wing' Sweeps to Victory

**Hugo Chavez** handily won reelection as Venezuela's president in early December, defeating opposition contender Manuel Rosales with more than 60 percent of the vote.

Since first taking office in 1999, every step in the rise of the left-wing leader has been seen as a blow to the United States. The 52-year-old Chavez famously called U.S. President George W. Bush "a devil, who tries to dominate the world" at this year's UN General Assembly session in September.

"Down with imperialism. We need a new world," Chavez said as he was cheered by his red-shirted supporters after the presidential poll. Western media showed growing anxiety about the election, and analysts said he has the political capital needed to push Venezuela more firmly toward socialism while posing an increasing challenge to U.S. influence.

In securing a continuous term to 2012, Chavez cemented his popularity through "an expansion of revolution" by redistributing some of the country's oil wealth

**"H**is win was a demonstration of people power trumping foreign interests. The servile, manipulated democracies are ending in Latin America."

Bolivian President Evo Morales

**"I** am a little worried about your country. Sometimes leaders show up who do a great disservice to the traditions and people of a country."

U.S. President George W. Bush, speaking to Lourdes Secola, a woman from Venezuela, during his visit to the Juan Diego Center in Omaha, Nebraska

through programs for the poor. As a matter of fact, most of his social welfare programs, such as subsidized food, free higher education and cash benefits for single mothers, are widely hailed by the poor, which also secured him a victory of the election by a large margin this time.

However, opponents view Chavez as a dictator-in-the-making who has tightened control over the oil industry and may seek to remove term limits from the Constitution so that he can remain longer or even permanent president.

**OPINION****Marginalized Female**

Nowadays, it seems that people have developed extreme worship for "efficiency and profits," and the overemphasis on efficiency dwarfs the importance of equality. With profits to the fore, dignity and values seem no longer important.

In the employment market, quite a lot of posts are open only to the men and some posts are even forbidden to any woman with a child. Male-female wage differentials are commonly seen throughout the country. The discrimination against the female makes it more difficult for them to get employed through regular channels.

With a prosperous entertainment industry, China in recent years has seen quite a lot of girls working in night clubs, massage bars and similar places that are suspected of offering sexual services. Many women have to work in the manufacturing industry, which gives them little money but even cannot ensure basic security. Some even become "indentured laborers." Moreover, when they become older, some women are fired by employers without any valid reason other than their age.

It's the unequal right to employment and pay that persuades many girls to turn to underground entertainment industries and "sweatshop" factories. As a result, they become more and more marginalized in the employment market.

It's high time that the discrimination against the female is removed, to provide them more opportunities and better future.

*The Beijing News*

**No Stigma Attached to AIDS**

The spread of HIV/AIDS is a rising public concern in today's China. Nevertheless, when the government has pledged to assist people living with HIV/AIDS and remove discrimination against them, Chinese society as a whole is still afraid of, and sometimes hostile toward, sufferers. This prejudice results from people's misunderstanding of how the disease is transmitted, and they only know it is related to immoral practices like promiscuity and drug addiction.



**KNOWLEDGE MAKES A DIFFERENCE:** Volunteers hand out an AIDS brochure to a passerby in Nanjing, Jiangsu Province. Activities marking World AIDS Day were held throughout China on December 1, with a focus on equipping people with comprehensive and correct information on the fatal disease

AIDS is transmitted through three channels: blood, sexual contact and mother-baby transmission, but in China, sexual transmission is always overemphasized and offering condoms seems the only way to prevent the spread of the fatal disease.

Actually, the risk of infection through mother-child transmission is 30 percent, that through sharing needles with HIV carriers is 50 percent and that through transfusions of contaminated blood is around 100 percent. In China, illegal plasma collection and tainted blood products are thought responsible for a large amount of cases.

The government should make known to the public comprehensive and correct information on AIDS, and strengthen blood management, especially illegal blood collection. The more the public knows, the less discrimination against people living with HIV/AIDS.

*Nanfang Daily*

**Higher Postage to Help out the Post?**

The National Development and Reform Commission and the State Postal Bureau have announced an increase in postage charges, to "promote the development of the postal industry and the reform of the system."

Since the 1990s, domestic postage rates have undergone several increases. The benchmark charge for letter delivery rose from 0.08 yuan in 1990 to 0.8 yuan in 1999. Now, it is 1.2 yuan.

The postal industry has regarded the low postage rate as one of the major causes of its persistent losses. However, compared with other countries, the postage rate in China is not low, being, in fact, four times that of Japan and eight times that of America for the same service.

As a public utility, no state-owned postal service in the world aims to make profits on basic services, with government subsidies being required to support their operation. However, in China, it seems such subsidies can never help to fill the black hole.

To get rid of losses, the postal industry should cut its own rocketing management costs and all kinds of waste, and not transfer the costs to customers. In the current information age, e-mail and cell-phone messages are becoming increasingly popular, and the increased postage rate can only convince more people to abandon this traditional means of communication.

*Shanghai Securities News*

**Why All Struggle to Be Researchers?**

China's higher education system produces a large number of Ph.D.s and holders of a master's degree, but it is not producing enough advanced technicians. The problem lies in the fact that the institutions of higher learning always try to cover all majors in order to be considered as top-ranking universities.

Companies in the 21st century need not only Ph.D.s, but technicians as well. Chinese universities should not focus on how many white-collar workers they have produced. Vocational colleges and universities teaching all kinds of technical skills should also be developed, apart from research-oriented universities.

China only needs a small number of research-oriented universities aimed at first-class academic research and restrictions should be imposed on bottom-tier colleges in the research field, as they may waste money and do repetitive work of little value due to their limited resources. These schools must find a correct position for themselves and try to develop themselves in terms of vocational education, with students' comprehensive quality being improved. Vocational education is important as it can prepare a large amount of graduates for their future careers and also act as an inseparable supplement to research-oriented universities.

*People's Daily*



XINHUA

# FREE REPORTING

A file photo taken on November 5 of this year shows reporters from around the world covering the summit of the Forum on China-Africa Cooperation in Beijing.

China's State Council, the country's cabinet, issued on December 1 a decree granting foreign journalists more freedom in reporting activities in the run-up to the 2008 Olympic Games.

Under the regulations, foreign journalists who are non-residents of China are not required to be accompanied or assisted by a Chinese official when they report in China, according to Foreign Ministry Spokesman Liu Jianchao.

Foreign journalists will also be allowed to engage in independent reporting in all localities without permission from provincial foreign affairs offices. They can also hire Chinese citizens to assist them in such reporting. In addition, the Customs procedures for vehicles and equipment used by foreign journalists have been simplified by canceling the requirement for an assurance letter issued by a Chinese host institution.

The regulations are effective from January 1, 2007 to October 17, 2008.

"The Chinese Government always sincerely welcomes foreign journalists to carry out reporting activities in China and is willing to provide as many conveniences as possible for them," Liu said.

**SOCIETY****Drill the legislators**

After being elected, local legislators of China's county and township people's congresses are getting some serious training.

More than 170 newly elected standing committee members of local people's congresses from south China's Guangxi Zhuang Autonomous Region and northwest Qinghai Province became the first group of trainees since the elections began last July.

During the nine-day training, the legislators will focus on a number of key issues involving the Constitution, supervision, election and budget management.

Sheng Huaren, Vice Chairman of the Standing Committee of China's National People's Congress, urged the local legislators to keep improving themselves to better fulfill their responsibility.

**Volunteerism boosted**

China is drafting a law to clearly define the rights and obligations of volunteers in a move to encourage more people to donate their time and skills, said an official with the Ministry of Civil Affairs on the 21st International Volunteer Day.

The draft law on the promotion of charity undertakings is expected to include one chapter on volunteer service that will stipulate the principles of the service, establish a volunteer registration system, and

set qualifications, rights and obligations of volunteers and volunteer organizations.

Since initiating community volunteer service in 1989, China has nearly 20 million registered volunteers and 120,000 community volunteer centers, official statistics show.

**Raise legal rights awareness**

China's latest five-year program to raise people's awareness of laws and legal processes will for the first time focus on farmers.

Village committees will provide an introduction to the country's legal framework to "every rural household," said Dou Yupei, Vice Minister of Civil Affairs.

Dou hopes the country's 800 million farmers will learn to better use their democratic rights, file complaints that are more comprehensive and safeguard their legitimate interests.

China's first five-year program to improve the public's awareness of its legal rights started in 1985. Each five-year program focuses on a particular segment of society.

In addition to farmers, government officials and employees, teenagers and private company management were also listed as key groups that will be provided with education on the legal system.

**Hotter pollution hotline**

The number of complaints about environmental pollution

made by citizens via the hotline "12369" is increasing steadily every year, according to the office of the Leading Group for Transparency in Administrative Affairs (LGTAA).

The hotline received 331,000 complaints on pollution issues from the public in 2003, 390,000 in 2004, 420,000 in 2005 and 113,000 in just the first quarter of 2006, according to the office.

The State Environmental Protection Administration asked local governments to open the hotline "12369" to receive complaints on pollution issues in 2001.

Nearly 70 percent of counties, prefectures and provinces have opened the hotline. More than 10 cities, such as Shanghai, Dalian, Changchun, Zhengzhou and Chengdu, have established emergency centers for dealing with the pollution complaints lodged via the hotline, said a LGTAA official on December 5.

**More women becoming journalists**

Women will hold up half the sky in the world of Chinese journalism in the near future, according to official statistics.

In journalism schools female students have outnumbered male students in recent years, and there are more than 70,000 women journalists registered at the State Press and Publication Administration, nearly 40 percent of the total 180,000.

"The percentage is higher



**ANOTHER JOB HUNTING SEASON Held at China Metrology College, the first college recruitment fair in Hangzhou, Zhejiang Province, provides 2,000 job opportunities and attracts 30,000 job seekers**

than a decade ago, when our survey together with the Chinese Academy of Social Sciences showed women journalists accounted for only one third of the total," said Sun Zhengyi, Deputy Director of the Domestic Department under the All-China Journalists' Association.

According to Luo Jianhui, office head of the School of Journalism and Communication at Renmin University of China, female students account for 65 percent of journalism undergraduates enrolled this year.

**ICY WORLD**

As the temperature keeps falling, scenic spots in Harbin, Heilongjiang Province, start to encase fluorescent lights in ice to attract tourism



**GREAT LITTLE WOMAN** The 1.12-meter tall woman Wu Xiaoli, who began a "love workshop" as a platform of communication for tiny people like her, discusses matters with a volunteer of the workshop

## ECONOMICS

### 2007 economic map set

China's economic growth rate in 2007 is projected to be 8 percent at the 2006 Central Economic Work Conference held in Beijing on December 5, according to a Xinhua report quoting economist Zheng Xinli. The meeting analyzed the country's current economic situation and worked out major economic strategies and policies for 2007.

The meeting drew the general targets for the economy in the coming year, stressing that stable and rapid economic growth must be maintained, substantial achievement must be reached in shifting the growth pattern from extensive to intensive, and new measures must be taken to ensure the people's interests.

### Efficiency overtakes speed

Efficiency has replaced speed as the official priority in China's economic development, which has registered double-digit growth at the cost of high energy consumption and a deteriorating environment.

Chinese President Hu Jintao has said in recent meetings that the country would realize "efficient and rapid" economic development. His remarks replaced the decade-long goal to achieve "rapid and efficient" development.

"China should take substantive measures to shift its focus from pursuing speed to improv-

ing the quality and efficiency of economic growth," said Hu.

Zhong Wei, an economic professor with Beijing Normal University, said the wording change sent a strong signal that the government would list efficiency as the primary criterion to evaluate economic performance next year.

### Bankruptcy approval

China plans to approve the bankruptcy of around 500 more struggling state-owned enterprises (SOE) by the end of this year.

According to the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council, more than 2,000 SOEs will go bankrupt before 2008. The commission has approved 619 of them.

Li Wei, Deputy Director of the SASAC, said that they would try to finish work on the bankruptcy plan in the first half of 2007.

"Social security and reemployment are major problems to consider in the bankruptcy process," said Li.

The 2,000 SOEs will be the last exception in China's market economy. Afterwards, all 8 million companies in China will follow a unified corporate bankruptcy law if they fail.

### Yanked beauty line makes a comeback

Proctor & Gamble's SK-II beauty products, which were pulled off Chinese shelves amid a major health scare in

September, will be back on sale in Beijing at Zhongyou (Chungyo) Store near Xidan.

"The cooperation between Zhongyou and Procter & Gamble Co. will remain unchanged and the counter for exclusive sales at our store will be operated as it used to," said an executive of Zhongyou Store.

The SK-II products were back on sale on December 3 at the Guangbai General Merchandise Headquarters Store in Guangzhou, capital of Guangdong Province.

However, stores in Shanghai are delaying the resumption of sales, believing it will take time for the cosmetics to regain consumers' confidence.

### Domestic search engine expands

Baidu.com, the most used search engine in China, is going to enter the Japanese market next year as a major

step to expand overseas and increase its international influence, according to the firm.

A Japanese version of the search engine will be set up at a proper time together with a branch in Japan, company officials said.

"We believe in our proven strength in non-English language search," said Robin Li, Chairman and Chief Executive Officer of Beijing-based Baidu.com Inc.

He said the high Internet penetration in Japan, as well as similarities between the Chinese and Japanese languages, "make this market an ideal next step for Baidu."

But the biggest obstacle would be the intense competition and understanding of the needs of the Japanese market, where the world's Internet giants Google and Yahoo have already taken a dominant share, company officials admitted.



ZHOU JIANG

**CHRISTMAS FORECAST** Though Christmas Day is almost two weeks away, shops in Beijing have begun to decorate to provide a Christmas atmosphere to seize the annual commercial opportunity—the Christmas economy



**FOLK ARTIST**  
A light-handed Kazak herder makes an imaginative handicraft called "dragon" out of oxhorn and cavel in Xinjiang Uygur Autonomous Region

ZHOU JIANG



**BLIND INTERNET SURF** Hu Chi, a 71-year-old blind woman, learns to chat online and send emails with specially designed software during a free computer skills training class hosted by a blind persons' association in Wuhan, Hubei Province



**STALLED EFFORTS** Palestinian leader Mahmoud Abbas chairs a meeting with the Palestine Liberation Organization Executive Committee and leaders of all parliamentary groups apart from Hamas at the Palestinian Authority headquarters in the West Bank city of Ramallah on December 1. Abbas declared that negotiations between his Fatah party and Hamas to form a unity government were at a dead end



**MILITARYTAKEOVER** Fiji's new interim Prime Minister, Jona Senilagakali, waves to the media on December 5. He was appointed by the military after it ousted the government and seized control of the South Pacific nation in a coup



**FINAL WITHDRAWAL** Italian soldiers wave their national flag upon their arrival at Rome's Ciampino Airport during a military ceremony on December 2. All Italian troops have now been pulled out of Iraq



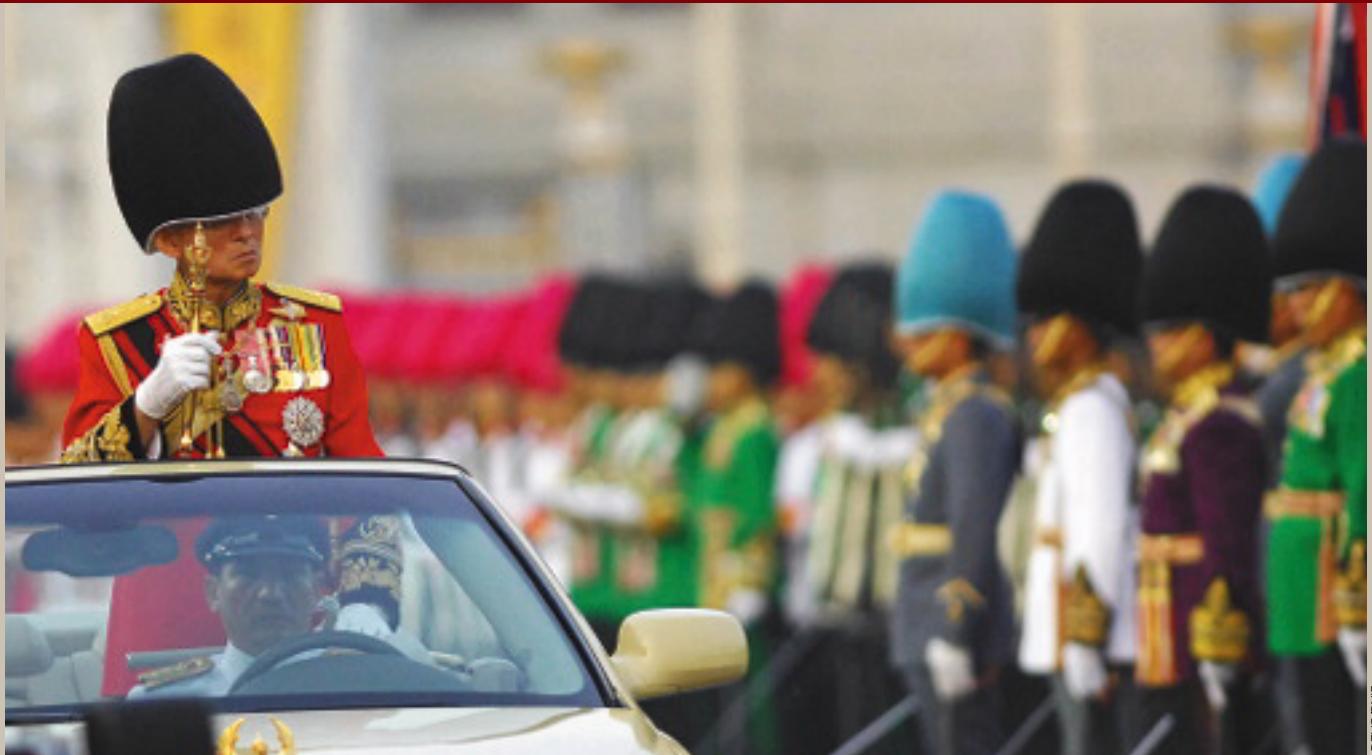
**ON STRIKE** A traveler sleeps in the deserted departure hall of Ben Gurion Airport in Tel Aviv, Israel on November 29. Israel's public sector and air travel mostly ground to a halt on that day as the powerful workers' union staged a general strike over long-delayed salary payments

XINHUA/AFP



**OUTPOURING OF AID** Philippine soldiers unload relief supplies of food and medicine donated by Indonesia in Legaspi on December 5 as part of the first batch of foreign aid to be dispatched to typhoon victims in the country. Typhoon Durian battered the nation on November 30, causing severe loss of life and property damage

XINHUA/AFP



**SHOW OF LOYALTY** Thai King Bhumibol Adulyadej views honor guards in a ceremony on December 2 to celebrate the country's National Day and the king's 79th birthday

CHI-LING CHEN



**NEW LEADERSHIP** Mexican President-elect Felipe Calderon (center) sings the national anthem during his inauguration on December 1. He was sworn in amid loud protests from the opposition

DAPPHINX



**NATO TARGETED** Afghan policemen stand near a NATO vehicle destroyed in an attack in Kandahar on December 3. A suicide bomber detonated an explosive-laden car near a NATO led-convoy in the city on that day, killing three civilians and injuring four others

DAPPHINX



**CULTURAL TREASURES** Visitors view an artifact at an exhibition entitled "Memorie dal Sottosuolo" (Basement's Memory) at the Diocletian Bath in Rome on December 1. The exhibition presents artifacts discovered in the last 20 years that have never been displayed



**OPENING A DIALOGUE:**  
African and Chinese  
leaders take part in  
the opening ceremony  
of the Beijing Summit  
of the Forum on  
China-Africa Cooperation  
on November 4



**DEEPER REGIONAL COOPERATION:** The Commemorative Summit marking the 15th anniversary of ASEAN-China Dialogue Relations was held in south China's Nanning city on October 30. This is a group photo of Chinese Premier Wen Jiabao and visiting leaders of 10 ASEAN members taken at the opening ceremony of the summit

# Active Participation

China's robust multilateral diplomacy this year demonstrates its growing interdependence with the rest of the world

By SUN JINZHONG

**C**hina's multilateral diplomatic activities in 2006 were numerous. They ranged from Chinese leaders' attendance at the Asia-Europe Meeting, the Dialogue Between Leaders of the G-8 and Developing Countries and Asia-Pacific Economic Cooperation (APEC) forum meetings to China's active participation in resolving the North Korean and Iranian nuclear issues and its hosting of the Shanghai Cooperation Organization (SCO) meeting, the China-Africa Cooperation Forum and the China-ASEAN Commemorative Summit. All of these activities demonstrate that China has been actively engaged in multilateral diplomacy it has performed with growing maturity.

The author is a research fellow at the China Institute of International Studies

In the past, bilateral diplomacy was China's major approach to foreign relations. Since the mid-1990s, China has participated in activities in a multilateral context, but the scale, level and frequency of those practices cannot match the country's multilateral activities this year. In this sense, 2006 is a milestone in China's multilateral diplomatic efforts.

China's multilateral diplomacy is based on its need to develop comprehensive strength. Compared with nearly 30 years ago, when it launched the economic reform, China's strength today has gained quick enhancement. The country is now the fourth largest economy in the world with foreign exchange reserves exceeding \$1 trillion. It is also influential in international affairs.

Under these circumstances, China has become more interdependent with the rest of the world, and its relations with the international community have changed a lot. With

the rise in China's international status, its interest has extended to the global sphere. China's diplomacy is facing complicated challenges, as well as new opportunities.

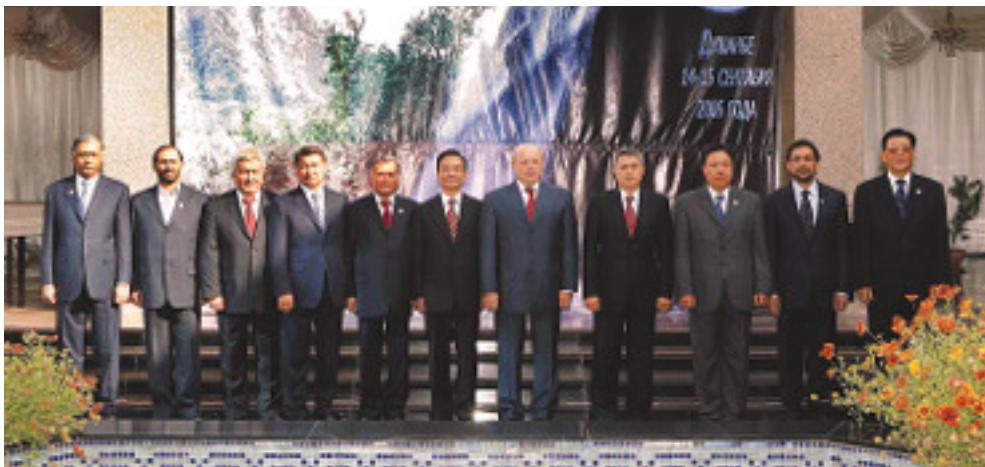
Against the background of globalization, international problems that affect the existence and development of human beings, such as population expansion, resource and energy shortages, rampant terrorism, global warming and the growing gap between the rich and poor, will not be resolved by bilateral means. Some local or regional problems will also have a worldwide impact. At the same time, a country's internal problems or bilateral issues can become multilateralized.

As a developing country that has risen rapidly, China has clearly realized that its national interests are closely related to global interests. Apart from considering the harmonious progress of mankind or its own sustainable development, China needs to participate in wider and deeper international cooperation to deal with international problems. It also needs to participate more actively in setting new international political and economic orders. Only in this way can China better maintain and realize its own interests when it joins in international cooperation to deal with global issues.

Thus, multilateral diplomacy has become a natural choice for China to cope with a complicated situation and safeguard its national interests. It has also played an



**DRAWING CLOSER TO THE WEST:** Chinese President Hu Jintao attends the dialogue meeting between leaders of the G-8 and developing countries and delivers a speech at the conference on July 17



**SHOW SINCERITY AND SOLIDARITY:** Chinese Premier Wen Jiabao attends the fifth session of the Prime Ministers' Meeting of the Shanghai Cooperation Organization on September 15

important role in boosting China's sustained economic development and stabilizing the regional and international environment.

China's active multilateral diplomacy this year is also a new probe for building a harmonious world. Although the country has been involved in multilateral diplomacy soon after the People's Republic was founded in 1949, its activities in this area were rather limited due to a lack of understanding of this approach. But after reform and opening up began in the late 1970s, and especially after the end of the Cold War, China's understanding of multilateral diplomacy changed: In order to create a favorable strategic environment and enhance China's comprehensive national strength, multilateral diplomacy is a must.

### Expanding multilateral ties

Guided by the principles of cooperation, dialogue and avoidance of confrontation, China has been further involved in the international community and its multilateral activities are more and more robust. The Chinese Government has clearly stated that the country will continue to participate in multilateral diplomatic activities and play its due role in the United Nations and other international or regional organizations.

With the changing domestic and international situation, Beijing also came up with the diplomatic target of building a harmonious world, which means to persist in multilateral-

ism and realize common security; pursue cooperation and realize common prosperity; adhere to a spirit of tolerance and create a harmonious world through joint efforts.

The adherence to an independent foreign policy of peace was stressed at a meeting on foreign relations convened in Beijing this year. The meeting indicated that China would stick to a peaceful development path, deal with foreign affairs in an overall manner and make its own contribution toward advancing the construction of a harmonious world with lasting peace and common prosperity. The meeting is of strategic significance to China's multilateral diplomatic activities.

The three summits that China hosted this year are of positive historical significance to China and the world. The China-Africa Summit is the highest level of dialogue between leaders of one big country and all countries that have established diplomatic relations with it on one continent. It is an important event in the development of contemporary international relations. The largest developing country is developing harmonious and friendly relations with a continent made up largely of developing countries, which has contributed to the construction of a harmonious world.

On October 30, leaders of the member states of the Association of Southeast Asian Nations (ASEAN) gathered in southern China's Nanning city to commemorate the 15th anniversary of the establishment of the

China-ASEAN dialogue. The joint statement signed by leaders attending the summit pointed out that the strategic partnership between China and ASEAN, which is oriented toward peace and prosperity, has not only boosted the development of the two sides but also brought tangible benefits to the peoples of both sides and has made contributions to increasing regional and world peace, stability and prosperity.

In the relations between China and Africa or ASEAN, mutually beneficial economic relations have dominated, providing helpful experience for worldwide South-South cooperation.

The Shanghai Cooperation Organization Summit this year released a declaration on the fifth anniversary of the organization's formation, as well as cooperative documents and a joint communiqué. This shows that the SCO has withstood the test of a changeable international situation during that period and has become an important factor in maintaining regional and world peace and stability, promoting democratic international relations and advancing the building of harmonious regions and world.

The "Shanghai Spirit" of mutual trust and benefit, equality, consultation, respect for the diversity of civilizations and the pursuit of common development has not only enriched the theory and practice of contemporary international relations and embodied the general demand of the international community ►►

for democratic international relations, but is also of great reference value to the international community in building new international relations. These multilateral diplomatic activities hosted by China not only have a practical impact in creating the structure for future international relations but also enrich the theory of a harmonious world.

China has hosted multilateral meetings and actively participated in some international activities, such as the dialogue with G-8 countries, the Iranian and North Korean nuclear issues and APEC meetings.

Those multilateral activities also have a wide geographic coverage. They are either regional meetings or trans-regional activities. A number of countries are involved in these multilateral activities, developed and developing, big and small. But all of these activities have their keynote of peace, development, cooperation, openness and nonalignment.

The relations among the SCO members and relations between China and ASEAN members are close and without alignment, which indicates that China's diplomacy has developed from a traditional bilateral mode to a new multilateral mode.

## Two major focuses

In China's multilateral diplomatic activities this year, security and the economy are two major themes. China has long

been engaged in resolving the North Korean nuclear issue, and its current role is indispensable in realizing a nuclear-free Korean Peninsula through multilateral diplomatic efforts.

After North Korea conducted its nuclear test, the UN Security Council passed the Resolution 1718 on October 14 imposing sanctions on North Korea in nuclear-related areas. Based on the efforts of China and some other countries, the resolution embodied the principles of being "forceful" and "moderate." After that, through China's continuous efforts and shuttle diplomacy, the stalled six-party talks on the North Korean nuclear program show hope of resumption.

On the Iranian nuclear issue, China hopes all relevant parties will calm down, be patient and continue contact and dialogue with Iran, make efforts to seek an effective resolution and provide the conditions for the resumption of negotiations.

Through the documents that were endorsed at the Shanghai Cooperation Organization Summit, China-Africa Summit and China-ASEAN Summit, people can also see the emphasis on security and the economy.

Whether in the regional or global sphere, China has played a satisfactory and constructive role. Its multilateral activities have provided a good external environment for China's peaceful rise but also laid a good

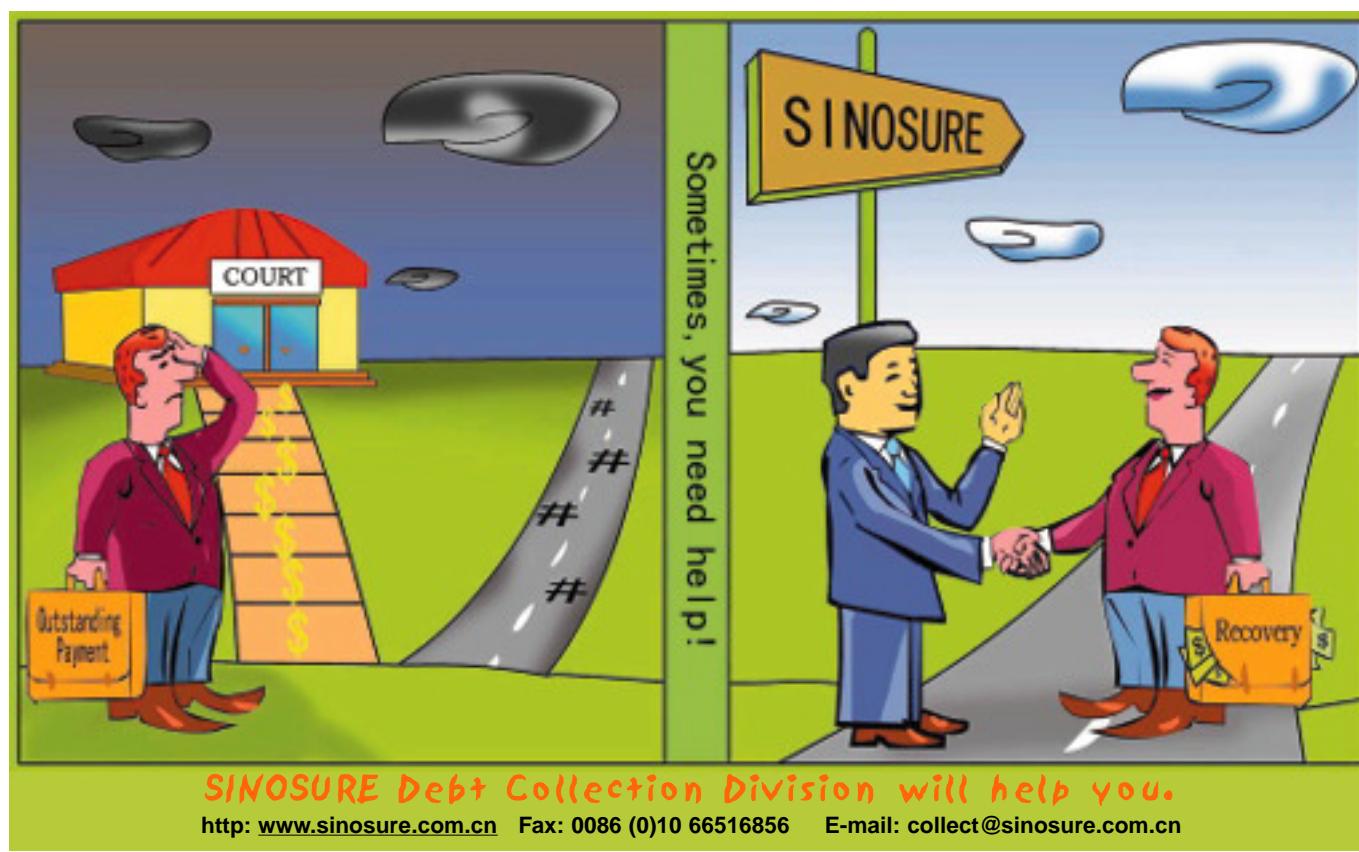
foundation for China's future development.

The successful development of the Shanghai Cooperation Organization shows that different civilizations in Asia and Europe and nearly half of the world's population are united by the Shanghai Spirit, and all countries expressed their will to strengthen bilateral and multilateral cooperation and to seek common development to maintain regional peace and stability.

An expert on China-ASEAN relations at the City University of Hong Kong holds that from a wider perspective, China has successfully reduced the influence of the "China threat" theory in the minds of ASEAN members.

In the 15 years since China and ASEAN established a dialogue, the relations between the two sides have developed quickly in a short time and cooperation in various fields has increased the confidence and mutual trust of the two sides. The China-ASEAN Summit will boost relations further.

The China-Africa Forum Summit in Beijing this year will greatly enhance the influence of China's soft power and make China win more reliable friends. China has demonstrated with its own practices that its relations with Africa are built upon mutual understanding, benefit and cooperation and that the allegations that China represents a threat to Africa are groundless. ■



# A Global Alliance?

The recent NATO summit finds its members at odds over the alliance's future course

By YAN WEI

In Latvia's capital of Riga on November 28 and 29, the leaders of 26 NATO member states met to address a number of hotly contested issues, ranging from collective defense to Afghanistan and antiterrorism to developing a more globally influential alliance. Yet, for all the wide-ranging discussions, little substantial progress was made.

"The summit did not have the character of a major breakthrough," Polish President Lech Kaczynski was quoted by the Associated Press as saying. "Not all countries showed the same level of determination."

As NATO seeks to become a body of global reach to enhance its relevance in today's world, its members are finding themselves embroiled in disputes over the future of this 57-year-old military alliance, according to Chinese analysts.

The Riga summit adopted the Comprehensive Political Guidance, which charts NATO's future course. The document defines terrorism and the spread of weapons of mass destruction as the probable principal threats to the alliance in the next 10 to 15 years.

It also underlines the need to improve NATO's cooperation with its partners, international organizations and non-governmental organizations.

It was announced that a new 25,000-member rapid-response force was ready for action as "the spearhead of a modernized NATO military." With full capability, the force can be dispatched to any part of the globe within five days.

In a declaration issued during the summit, leaders welcomed the efforts of Albania, Croatia and Macedonia, formal aspirant countries recognized by NATO, to prepare themselves for the responsibilities and obligations of membership.

The alliance also invited three other Balkan states—Bosnia, Montenegro and Serbia—to join the Partnership for Peace program and the Euro-Atlantic Partnership Council. The two mechanisms are designed

to foster the alliance's relations with non-NATO countries in the Euro-Atlantic area.

## The U.S. factor

It was reported that U.S. President George W. Bush tried to introduce a Global Partnership initiative to NATO so that some Asian and northern European nations, including Japan, South Korea, Australia, Sweden and Finland, would have a closer relationship with the alliance. However, it seemed that Bush failed to put the idea across. Neither the initiative nor any of these countries were mentioned in the declaration, something that experts say highlighted the divergence of views among NATO members.

Wang Baofu, Deputy Director of the



**RALLYING AROUND UNITY:** Leaders of NATO member states converge in Riga, Latvia for a summit in late November. Behind the alliance's unity symbol, differences among members are compelling, experts say

Institute for Strategic Studies at China's National Defense University, analyzed the two-pronged train of thought underlying the U.S.-proposed Global Partnership. From a short-term perspective, Bush made the proposal in light of the difficulties his administration has confronted in Iraq and Afghanistan. Now that it is unable to clear up these problems on its own, the United States needs the support of its allies around the world.

At the same time, it has taken into account the security threats in other parts of the world over the long haul. If it can expand its alliance globally, the United States will be in a more advantageous posi-

tion to control the situation in every region.

Of course, not all NATO members share the U.S. vision. French Minister of Defense Michele Alliot-Marie voiced concern in a recent op-ed piece in *The Washington Times*. "The development of a global partnership could in fact not only dilute the natural solidarity between Europeans and North Americans in a vague ensemble, but also, and especially, send a bad political message: that of a campaign launched by the West against those who don't share their ideas," she wrote.

Wang acknowledged the stabilizing role NATO is playing in Central Asia, especially in Afghanistan. He said had it not been for the NATO military presence, the situation in the region would have been even more hostile. However, he pointed out that the United States was trying to expand NATO on the basis of "common values." This kind of expansion, which lays too much emphasis on ideology, would have negative effects, the expert warned.

He noted that NATO has a record of dealing with security issues without the authorization of the United Nations since the end of the Cold War. In the context of globalization, seeking to address international security

issues by strengthening a military alliance is a problematic approach in itself, he stressed. Instead, he suggested that these issues should be resolved through the cooperation of all countries within the framework of the UN.

He suggested that the stronger nations would have a bigger say in a military alliance. He noted that the organization has largely followed the direction set by the United States over the past years despite the prominent disputes among its members. Given this, he predicted that NATO would continue to expand, and Central and Eastern Europe, Central Asia and the Balkan region would sooner or later come under the organization.

Feng Zhongping, Director of the Institute of European Studies at the China Institutes of Contemporary International Relations, said although it had frictions with other NATO members such as France and Germany, the United States was conscious of its leading role in the alliance. He continued that as the organization generally follows the principle of consensus, the United States had to persuade other members to achieve its goals.

Of course, not all of its goals can be achieved, he said, but many of them can. Given the push of the United States, NATO is likely to admit more members and boost its global influence, Feng said.

# A Changing Landscape

## The global economy takes a downward turn after years of explosive growth

By MEI XINYU

**T**he world economy took on a somewhat bleaker outlook this year after undergoing extraordinary growth in 2004 and 2005. There is evidence that it has passed the peak of the current business cycle.

### Developed world

The U.S. economy grew less rapidly than before. The gross domestic product (GDP) of the United States grew by 5.6 percent, 2.6 percent and 1.6 percent respectively year on year in the first three quarters of the year (figures were adjusted for seasonal variation). The growth rate in the third quarter was at the lowest level since it hit 1.2 percent in the first quarter of 2003.

The chaotic real estate market was indicative of a further slowdown in the U.S. economy. It is estimated that the sluggish trend will last from the fourth quarter of this year to next year. The International Monetary Fund (IMF) estimated that the U.S. GDP would grow by 3.4 percent this year and 2.9 percent next year in the *World Economic Outlook* it released in September. At present, however, it is questionable whether the U.S. economy can live up to the IMF's expectations this year.

Since the beginning of the new century, the euro zone and the European Union (EU) have been lacking the momentum for economic growth. Germany, which used to be the locomotive of the EU economy, was reduced to the ranks of "newly declining countries" along with Japan. The annual GDP growth rates of the euro zone and the EU were only 1.4 percent and 1.7 percent, respectively, last year. The European economy made a comeback early this year with its GDP growing 0.6 percent month on month and 1.9 percent year on year in the first quarter and 0.9 percent month on month and 2.6 percent year on year in the second quarter. In

the third quarter, however, the growth in the euro zone slowed down. The monthly growth rate was 0.5 percent, lower than the expected 0.7 percent.

Recently released figures show that Japan's GDP grew by 0.5 percent in real terms month on month in the third quarter of this year, or 2 percent year on year, exceeding expectations. However, industrial growth stagnated. In September, industrial output dropped by 0.7 percent from the previous month with the number of equipment orders falling dramatically. Given this trend, the Bank of Japan, the Japanese central bank, which had ended its zero interest rate policy, was extremely cautious about raising interest rates.



**SUSTAINED GROWTH:** A container berth in Tianjin Port does robust business. The Chinese economy continued to make headway this year after three consecutive years of double-digit growth

### Developing world

Developing economies continued their strong growth this year. Emerging markets accounted for over half of the global economic output in 2005, during which they posted GDP growth of \$1.6 trillion, in comparison with the \$1.4 trillion of the developed countries. Their share of world exports has jumped from 20 percent in 1970 to 42 percent today. In the *World Economic Outlook*, the IMF projected the growth in emerging markets and developing countries at 7.3 percent this year, double the estimated 3.1 percent for developed countries. According to the IMF, emerging economies will grow at slightly less than 6 percent over the next five years, still double the growth rate of developed economies. If this trend is

sustained, emerging economies will account for two thirds of the global economic output in two decades.

Of the developing countries, China and India registered the most robust economic growth. Their GDP grew by 10.9 percent and 9.3 percent, respectively, in the first half of this year. The countries' respective annual GDP growth this year is expected to reach around 10 percent and 7.6 percent. The annual GDP growth for Asia as a whole was estimated at about 6.5 percent this year and that for the Association of Southeast Asian Nations at 5.5 percent.

Benefiting from the skyrocketing primary commodity demands of East Asia, especially China, and the growing demands of manufactured goods of the United States, Latin American countries underwent notable growth in 2006. Though not as strong as in Asian countries, their progress was still impressive given their economic performances in the previous years.

Russia stood out among the emerging markets in 2006. Owing to soaring oil prices, Russia has enjoyed rapid economic

growth in recent years. As its fiscal revenue and capital reserves increased dramatically, it paid off its debts owed to the Paris Club of creditor nations this year in advance.

However, the fallout was that its currency kept gaining in value. In the first half of this year, it appreciated 9.7 percent against the dollar and 4.7 percent against the euro. As a result, the country's manufacturers suffered. They not only had to confront the competition for investments and human resources with the formidable energy industry, but also were dealt a heavy blow by rising production costs and cheap foreign goods that poured in.

At the same time, against the backdrop of a general economic recovery, the appreciation of the ruble meant a potentially large profit margin for real estate speculators. Consequently, a large amount of foreign investment surged into Russia's real estate market. In the first half of this year, Russia received \$23.4 billion in foreign investment, up nearly 50 percent over the same period last year. Nobody can tell how much of this amount went into the real estate sector. The torrent of investment is set to expand Russia's real estate bubble.

### Foreign direct investment

International trade made strides this year and is likely to maintain rapid growth next year. The annual international trade

The author is a researcher with the Chinese Academy of International Trade and Economic Cooperation, Ministry of Commerce



**TAPPING PETRODOLLARS:** A Russian worker operates a gas pipe valve in a Siberian gas field. Russia has benefited greatly from soaring oil and gas prices in recent years

growth was 7.4 percent in 2005 and is expected to exceed 8 percent this year. Despite the suspension of the Doha Round of global trade talks, the growth rate may still approach 8 percent next year.

The downward turn of primary commodity prices was the most prominent feature in international trade this year. Primary products have had a bull market in recent years, with crude oil prices hitting nearly \$80 per barrel and the gold price passing the benchmark of \$700 per ounce. However, the soaring prices did not last too long. In the most recent couple of months, oil prices have plummeted. After reaching the historical high of \$78.40 per barrel on July 14, the

unit price of Brent crude, Dubai crude and West Texas Intermediate fell to \$57.92 per barrel, \$55.90 per barrel and \$61.18 per barrel, respectively, by September 26. Prices of other primary products are also showing signs of going down. The persistent bull market is bound to take a dive as the demand for primary commodities increases at a slower pace, given the slowdown in global GDP growth, while their supply keeps growing quickly.

The global foreign direct investment (FDI) inflow rose substantially from 2004 to 2005. According to the World Investment Report 2006 published by the UN Conference on Trade and Development, global FDI inflows amounted to \$916 billion in 2005, up 29 percent from the previous year. Flows to developed countries rose 37 percent to \$542 billion. Those to developing countries surged 22 percent in 2005 to reach a record \$334 billion. In percentage terms, developed countries attracted 59 percent of global FDI, developing countries attracted 36 percent and southeastern Europe and the Commonwealth of Independent States accounted for the remaining 4 percent.

Notably, a number of developing and transition economies have recently surfaced as important home countries of FDI.

Between 1990 and 2005, the number of such economies with outward stocks of FDI of more than \$5 billion increased from six to 25. Last year, transnational corporations based in developing or transition economies, but excluding major offshore financial centers, generated FDI outflows of \$120 billion, the highest level ever recorded. Asia accounted for almost 70 percent of these capital flows. The list of top developing-economy sources in 2005 was led by Hong Kong, Russia, Singapore, Taiwan, Brazil and the Chinese mainland.

However, this FDI rush may not be sustainable. The rapid growth of global FDI in 2005 was partly powered by the feeling of optimism over global economic growth at the time. Also, the interest rates in international financial markets were relatively low, keeping the costs of FDI flows at a low level. However, the costs now are tending to rise, given the less positive outlook for investment and worldwide interest rate hikes.

The downside of foreign investment has become evident in many countries. The conflict between foreign investors and the government and general public of the host country has escalated. The global FDI flow might decline in the coming years. Even if it keeps growing as further investments pour into the countries to finance follow-up projects, the growth rate will not be as high as before. ■

## Kegebo

Kegebo is a healthcare product based on a secret royal recipe used to take away the intoxicating effect of alcohol in the imperial court. The oral tablets help protect the liver and neutralize the effect of alcohol with proven effectiveness against chemical liver damage.

### Major contents:

**Vitamin C:** a water-soluble vitamin that is effective against many chemical toxins; used to treat scurvy and cancer and helps conquer alcohol addiction

**L-glutamine:** one of the 20 amino acids that make up proteins; a treatment for gastric ulcers, chronic gastritis, memory disorder after cerebral hemorrhage and cancer pain; and helps maintain good liver, kidney, pancreas and gallbladder function

**Taurine:** an essential nutrient for human beings that helps improve the immune system and protect cardiac muscle and is a treatment for the fever at the outset of a cold and convulsions

**L-Carnitine L-Tartrate and zinc gluconate:** nutrition enhancers essential to the use of fatty acids and energy metabolism, with important physiological functions of intestinal digestion and absorption of protein

**Magnesium carbonate:** can neutralize gastric acid



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# Human Rights and a Harmonious World

**The third China-sponsored high-level symposium on human rights was held in Beijing on November 22-24, gathering officials and experts from both home and abroad to discuss a variety of relevant topics. Following are excerpts of some speeches delivered at the meeting.**

**Jiang Zhenghua (Vice Chairman of the Standing Committee of the National People's Congress, China):** It has been an important component of traditional Chinese culture to pursue interpersonal harmony, individual mental and physical harmony and harmony between man and nature. This could also be a social ideal commonly aspired to by people of different ethnic groups throughout the world. It is in this spirit that China has advocated for and endeavored to safeguard and promote human rights and build a harmonious society at home, and has called for and endeavored to build a harmonious world internationally. This integration of the interest of the Chinese people and the common welfare of the world will both benefit China's own development by way of upholding world peace, and promote world peace and development through the nation's self-development.

The progress of a nation's human rights cause depends on a harmonious and orderly domestic social environment. The progress of the international human rights cause cannot be realized without the harmonious coexistence of all nations. We should respect each nation's right to choose its own social system and way of development independently, respect the diversity of the world and world civilizations, enhance dialogues and exchanges between different civilizations, promote the democratization of international relations in the spirit of equality and opening, and make efforts to diminish mutual suspicion and misgivings, so as to seek common development by agreeing to differ, and concertedly build a harmonious world that accommodates all kinds of civilizations and honors everyone's human rights.

**Cai Wu (Minister of the Information Office of the State Council, China):** Confronted with the opportunities

and challenges of multi-polarization and globalization, the Chinese Government has set the goal of building a well-off society of a higher standard in a comprehensive way to the benefit of well over 1 billion people in the first two decades of this century, in the effort to further develop the economy, improve democracy, advance science and education, enrich culture, foster social harmony and upgrade the texture of life for the



**MEETING FOR CONSENSUS:** The Beijing symposium on human rights, with participants from 19 countries, highlights the building of a harmonious world during the discussion

to make joint efforts in building a harmonious world with lasting peace and common prosperity. With their social systems, levels of development and historical and cultural backgrounds varying, different nations certainly have different modes of human rights development. We should respect such diversity of civilizations and development modes, promote international exchanges and cooperation in the field of human rights on a fully equal footing and on the basis of mutual respect, agreeing to differ and learning from others' strong points to make up for one's weaknesses, and jointly promote the construction of a harmonious world that features peaceful coexistence between countries, concord between people, and harmony between man and nature.

**Zhou Jue (Chairman of the China Society for Human Rights Studies):** The Chinese Government stands for "upholding multilateralism to achieve common security, promoting cooperation for mutual benefit to realize common prosperity, and encouraging tolerance to build a harmonious world." This approach forms an inevitable extension and development of what China has always been doing by pursuing a foreign policy of peace and following a path of peaceful development. We believe it is of important practical significance to the ongoing endeavor to develop a more just and rational international political and economic order, to promote harmony the world over, and to develop the international human rights cause.

Respect for and protection of human rights on the one hand and the building of a harmonious world on the other are locked up as the prerequisite and objective of each other, in a relationship of mutual dependence for mutual development. Respecting and protecting human rights can help mitigate international contradictions and problems, thus promoting the building of a harmonious world. Realization of individual human rights is inseparable from the harmony of society and the world. Facts of both today and the past prove that in a chaotic society, in a world devoid of peace, human rights can in no way be effectively guaranteed for the broad masses of the people. A harmonious world therefore represents a right to which citizens of all countries are rightfully entitled.

**Inonge Limbambala (Second Secretary of the Ministry of Foreign Affairs of Zambia):** Poverty still continues to wreak havoc among more than a billion of the world's population—meaning around a sixth of the world's inhabitants are

people. It advocates adhering to the guidance of a scientific concept of development in overall economic and social development and calls for building a harmonious society that features democracy, the rule of law, equity, justice, credibility, caring, vitality, stability, orderliness and harmonious coexistence between man and nature. This is not only a grand blueprint for the future development of Chinese society but also presents promising prospects for the country's human rights cause. In the Chinese people's practice of building a harmonious society, China's human rights cause is bound to see more rapid and healthier progress, and the human rights cause in itself is an essential component of a harmonious society.

To accomplish universal human rights of all mankind, it is necessary for all nations

living in extreme poverty. The ever-widening gap between the rich and the poor directly contradicts the notion that all human beings are born equal in dignity and rights. The Universal Declaration of Human Rights and international human rights treaties hold out the promise of life with dignity, where every person enjoys an adequate standard of living and access to those essentials that give practical meaning to such a life, including food, water, shelter, education, work and health care.

The UN Millennium Declaration and Millennium Development Goals include the halving of the number of those living in extreme poverty and promoting women's equality by 2015. It would be desirable for many if the goals, in this regard, could be seen as a stepping stone toward broadening the range of economic and social rights applicable to all, as well as to providing the context for the promotion of transnational human rights that should in turn enhance international decision-making on policy and practice in the areas of debt, aid and trade.

**Makarim Wibisono (Ambassador Extraordinary and Plenipotentiary, Permanent Representative of the Republic of Indonesia to the UN in Geneva):** Although human rights are universal, the dynamics of human rights issues in multilateral and international forums is very complex and highly political. To these complex and highly political deliberations, we can actually add "a harmonious world" as a new, but perhaps more objective and neutral, parameter. Internal or domestic implementations of human rights should be conducted in a way that fosters harmony at the national level. Meanwhile, international deliberations on human rights issues should also be conducted in a way that fosters harmony at the bilateral, regional and global level.

What can we say about the relation between human rights and a harmonious world? I believe that respecting human rights is of significant importance for the creation and maintenance of harmony in the era of globalization. Indeed, human rights are one of the most tangible issues of globalization. The reason for this is that the wave of globalization has empowered individuals in every country reached by it. As individuals have become empowered, they want human rights to be strengthened and implemented. The communication revolution that has brought about globalization has also made individuals aware of each other's state of human rights fulfillment as well as of each other's struggle to achieve the highest fulfillment. The cause of human rights has therefore been promoted and strengthened by globalization and in turn, globalization has disseminated it and made it a global issue.

**Xu Xianming (President of the China University of Political Science and Law):** Compared with traditional human rights, the right to harmony stresses innovation instead of revival, transcendence instead of existing achievements, and cooperation instead of rivalry.

The claim of the right to harmony will profoundly change the relationships between people and state, between individuals and between man and nature. It will involve not only the relationships in the aspect of law, but also in the aspect of ethics.

In the relationships between people and state, the right to harmony requires more public rights than it did in any previous ages. The freedom of conscience, the freedom of belief and the equal respect for the value and dignity of human beings are all the basis to realize harmony between an individual's mind and body, and thus it becomes the first important obligation for a state to conduct good governance and guarantee that every individual receives proper treatment.

In the relationships between individuals, the right to harmony means that every individual enjoys his/her "right to the world," which requires society and other individuals to respect that person and treat him/her properly. No person is inferior in terms of personality and dignity because of inborn gifts from nature and acquired position in society. Everyone should receive equal, proper treatment and equal respect; especially, the equal proper treatment of and equal respect for minorities and disadvantaged people suggest a fundamental direction that the right to harmony has decided for the transformation of the social system.

In the relationships between man and nature, the right to harmony will change the traditional simple subject-object relationship between human beings and nature. The ecology, environment and resources that we have today are not inherited from our ancestors, but borrowed from our future generations. The harmony between different generations should become an indispensable dimension in the vision of human rights, and the idea that human beings are obliged to safeguard nature should substitute for the theory that they are entitled to exploit it. That is an ethical foundation for human beings to reach the summit of life that integrates heaven with mankind.

The right to harmony requires the public duty to properly regard every individual on the one hand, and on the other hand, it demands people's self-discipline when they claim their own human rights. That is, every individual is obliged to respect others' human rights and benefit the realization of public interests as he/she exercises his/her own. Meanwhile, mankind as a whole should also take the proper treatment of nature as a moral limit when it develops human rights. ■



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**SEEKING ASSISTANCE:**  
On December 3, many workers gathered around Sun Chunlan, Vice Chairperson of the All-China Federation of Trade Unions, and her colleagues for legal advice

HE JUNCHANG

# How Much Am I Worth?

A collective negotiating system enables workers to bargain wages with their employers on an equal basis, leading to better labor-management relations

By LIU YUNYUN

**W**hile workers at Wal-Mart China, a subsidiary of the U.S. retailing giant, struggled to set up their first trade union, employees of many companies in Nanjing have been able to negotiate salary increases with their bosses for the past several years.

The workers at Kumho Tire Co., for example, have seen their average salary nearly double to more than 31,000 yuan in 2006 from 16,000 yuan in 1999 "after arduous salary negotiations year after year," said Wu Songping, head of the trade union at the Korean company.

In the past, nearly all state-owned enterprises in China had a trade union—Involving all employees—which was in charge of workers' welfare and appeals. The union's administrative body, however, was typically appointed by the enterprise's management. On holidays, the union would send gifts of daily necessities or supermarket coupons to its members; when an employee was sick, union representatives would visit him/her

on behalf of the whole company; or, on special occasions, the union would organize small shows or activities for the employees.

"The old-fashioned concept of a trade union must be changed," said Chen Siming, Chairman of the Nanjing Trade Union. "A trade union is much more than [a sponsor of] activities; it should be bound tightly with the workers' real interest—salary."

Nanjing, the capital of Jiangsu Province, was one of the first cities to initiate a collective salary negotiation mechanism. Under a trial regulation on the system for determining employee wages passed by the Ministry of Labor and Social Security in 2000, workers' representatives and management representatives negotiate the salary distribution system and salary level on an equal basis and sign an agreement.

"Normally, we have five or six negotiators from each side," said Zhang Niannian, a veteran salary negotiation instructor from the Nanjing union.

Li Yuanguo, President of Nanjing Plastic Industry Co. Ltd. (NPIC), a private company, sounded relieved when asked about the functioning of the trade union in

his company. "In the past, when employees were not satisfied with their salary and when they were not able to afford to go to the hospital, they would come to my office and argue with me," Li said. "But after the trade union was established, the employees would rather turn to the trade union for help. It leaves me more time and energy to think about the development of the whole company instead of every trivial thing involving the workers."

Discussing his rivals in salary negotiations, Li smiled and said, "The workers are very smart and they pick the most talented negotiators, which is very unusual compared with the past."

Li said that before 2004, NPIC was a state-owned enterprise, and all the administrative positions in the trade union were taken by the "goody-goodies". They practically did nothing except send gifts on holidays and organize some activities. "Society changes, and the workers' awareness of self-interest improves," said Li.

## Making bargaining successful

Chang Kai, labor professor at Renmin University of China, pointed out two requirements for a successful collective bargaining mechanism. "First, both sides in the negotiation should be independent; second, the negotiations should involve fair play." Chang noted that for a long time, the directors of the majority of Chinese trade unions were appointed by the management and the trade union followed management's decrees.

According to a random survey of enterprises in Nanjing conducted by the government involving 1,000 workers from 100 enterprises, about 20.8 percent of the

## A Hard-Won 12 Percent

Deltak is a Sino-U.S. joint venture established in August 2004. We didn't discuss the salary issue with the management in 2004 and 2005 as the company was just founded. In the past two years, Deltak has made a profit but workers' salaries remain the same as two years ago. On noticing the profit increase and the unchanged salary, the workers' union believed it was time to ask for a salary increase, because all the employees have strived to contribute to the productivity of the company. Therefore, we decided to initiate salary negotiations in June this year with our American boss, which was rather sensational at that time.

Of course he was very surprised at our requirement, as we had never done this before. We had made a comprehensive analysis and explanation of why and how salaries should be increased and proposed it to the boss in the middle of June. The boss said he needed a translation.

Then, a month passed.

Another three months passed, as the boss had to go on numerous business trips.

At that point, when workers felt insecure, they threatened to go on strike.

But, taking the whole situation into consideration, we must be patient. The workers' union persuaded workers to remain in their posts and avoid acting indiscreetly.

During that time, we sought legal assistance from the All



Yang Yongsheng:  
Chairman of the  
Workers' Union of  
Deltak Power  
Equipment (China)  
Co. Ltd

Workers' Union of Nanjing, and got lots of useful information.

For instance, the government reported a 12-18 percent increase in profits of the mechanical manufacturing industry, which suggested we could set our expectation on this base.

There are four major factors we can count on in seeking a salary increase: the increase in profitability, the increase in productivity, the government guideline on workers' salaries as well as the increase in the consumer price index. One single abovementioned factor could constitute our reason for a salary increase. Apparently, we meet all four requirements.

And we set the requested increase at 18 percent, leaving room to bargain.

November 6 was a day to remember. After several formal and tough negotiations with the management, our boss finally agreed to raise our salary by 12 percent, which was acceptable.

I believe the workers will be pleased to see an average increase of 130 yuan in their bank account each month beginning January 2007.

We learned two things from this negotiation. First, we shouldn't intensify conflicts with management but should talk peacefully. Second, I personally believe that the Americans are law-oriented. When I referred to relevant Chinese laws and regulations on this matter, the boss showed great respect for the laws.

Some workers suggested a strike, which we did not support. The reason is that the company does not just belong to the boss, but also to the ordinary workers.

employees surveyed received a salary of 600 yuan or less per month; 36.9 percent reported a monthly salary of 600 yuan to 1,000 yuan; 25.8 percent got a salary ranging from 1,000 yuan to 1,500 yuan; and only 16.5 percent of the respondents enjoyed a salary over 1,500 yuan.

Chen Jiabao, Vice Mayor of Nanjing, noted that, "The per capita GDP of Nanjing City reached \$4,000 in 2005, which is in sharp contrast to the average salary of ordinary employees."

"Our survey showed that the major shareholders' year-end bonus was as much as 24 times that of the average workers, and the monthly salary of the management was six or seven times more than that of the ordinary workers," he continued.

"This kind of sharp gap is unacceptable for ordinary workers," said Chen. "Workers are the major productive force and it is they who create value for companies and should not be treated unfairly."

One of the major reasons companies are reluctant to increase workers' salaries is that they fear this will result in higher production costs and cause them to lose the competitive edge in pricing to their rivals.

However, Song Zheng, Vice Chairman of the Trade Union of Nanjing City and a veteran economist, pointed out, "The increase in workers' salary will enhance their purchasing power, which means they are able to buy more commodities. Therefore, from the perspective of the whole society, the increase in workers'

wages is conducive to the economy, in turn benefiting the company itself."

Explaining further, Song said, "For instance, if a pair of Nike shoes is sold at 600 yuan with a cost of 200 yuan, a mere increase of 20 yuan—10 percent—in workers' salaries is just a drop in the bucket." But he said this "drop" can boost workers' enthusiasm as well as their productivity. In return for management's goodwill, workers will do their best to use innovative technology and reduce the cost of production.

As China's economic reform deepens, the government has been reducing its role in corporate management and has switched its efforts to macro-control. Taking advantage of the loosened control, some companies tend to restrict workers' salaries in order to achieve the maximum profit.

Considering the problem, the labor and social security department of Nanjing will consider the collective bargaining mechanism an important part of its investigation ►►

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**第一課**

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and registration of a company labor contract.

At present, Nanjing runs a "harmonious enterprise" campaign on a yearly basis, involving foreign companies, domestic companies and joint ventures.

An Erkang, a senior researcher at the China Management Academy of Sciences, noted that salary distribution is one of the core areas of the "game theory" strategy between employees and employers. But, An said, "Workers are generally disadvantaged and have no competitive edge in this game theory practice."

### Foreign-domestic dichotomy

In a world where the supply of talent far outpaces the demand, people hold firm in their jobs. Despite being eager to see a salary increase, employees dare not have a direct confrontation with their bosses. "Therefore, the government should guide them and enact favorable policies to guarantee the workers' rights," said An.

Qian Guanghao, an employee at Deltak Power Equipment (China) Co., has been involved in salary negotiations in the company. Asked why he dared to take the job and whether he feared being fired, he said, "Actually, after a worker is elected as a negotiator, he or she signs a three- or four-year contract with the company. In these three or four years, the company has no

right to fire the negotiator." In this way, negotiators can feel secure even amid a strong confrontation with the management. "If the negotiator does a good job, he or she can be re-elected for another term without being afraid of losing his job," said Qian.

Fu Xiaojun, Assistant Director with the Public Relations Department of the Nanjing Trade Union, agreed. "The negotiators' interest is fully protected by the trade union and relevant government departments."

In the meantime, the government must devote itself to promoting the quality of both employees and employers, and make both sides realize that their interests are bound together, experts say.

A labor contract draft law, aimed at thoroughly protecting workers' interests, is now being deliberated by the government and is expected to take effect soon, despite harsh criticism from employers.

"It has been easy to set up trade unions in state-owned enterprises—just issue an administrative order. It has always been difficult to set up trade unions in foreign companies," said Xia Yinchun, Secretary General of the Nanjing Trade Union.

From the perspective of foreign companies such as Wal-Mart, however, trade unions are viewed negatively. A Wal-Mart public relations manager who requested anonymity said, "Our bosses from the

United States have felt there is no need to set up a trade union, which seems like a divisive force in the whole company."

In Western countries, trade unions are sometimes a headache for management. Song of the Nanjing Trade Union said, "Workers care about their own interests without considering the overall performance of the company." In Nanjing, however, workers are aware that "if I want to have my salary increased, I have to work hard," he added.

At Kumho Tire, one of the first companies to adopt collective bargaining, the workers' annual salary jumped to over 35,000 yuan in 2005 from a mere 16,000 yuan in 1999. "Our workers have the habit of seeing their income grow every year. If the salary remained the same as in the previous year, their enthusiasm for work would be hurt," said Wu, the company union head.

Currently, the company faces enormous pressure from the workers' call for salary increases and rising costs. Wu noted that the price of rubber has jumped to about 24,000 yuan per ton this year from 13,000 yuan several years ago. The company's profitability is not as strong as it was before.

Maintaining sound and sustained growth while not posing an unbearable burden on the company's daily operations has become a nerve-racking problem for both the trade union and management. ■

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We also can guide you step-by-step through the process of finding a job, issuing your Foreign Expert Card and providing you all the information you will need for a pleasant, rewarding and professionally relevant experience in China.

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This card is needed if you are a foreign teacher in China. Its main use is by you or your school to change part of your salary (up to 70 percent monthly) into hard currency. The card offers you the advantages of being officially recognized by the Chinese Government as a foreign expert. The card is often a requirement for obtaining work and changing your job and visas during your stay in China.

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# Health Fix

**China is set to strengthen community hospitals to bring affordable medical care to the majority and halt the scramble to big hospitals to treat common illnesses**

By LI LI

The most eye-catching items in Yan Li's nine-square-meter office are piles and piles of case histories on her narrow table and a makeshift bed for patients in this community of 10,150 people from 4,083 households. Yan Li, a 27-year-old doctor in a community health clinic in Xicheng District of downtown Beijing, said 300 of the 1,000 cases were "active," which means the patients visit the clinic regularly as per their doctors' instructions. Yan is so familiar with these documents that people will be amazed by the speed with which she can locate a specific case history.

Of course, Yan knows the patients even better. On a typical working day recently, she saw eight patients in the morning, ranging in age from 55 to 83 years old, and suffering from chronic diseases.

Throughout the morning, Yan talked slowly and loudly to her patients, repeating herself often. Spending 20 to 25 minutes on each patient, she hardly stopped for a break. But, she said, the time she got with every patient is what distinguished her from her peers in big hospitals. "People always complain about doctors' nonchalant three-minute talk in big hospitals, yet I can understand their difficulties; after all, they have long queues of patients waiting outside the door," said Yan Li.

China is ending a 20-year-old medical reform that has been "basically unsuccessful" as concluded by a two-year study by a think tank under the State Council released last July. In 2000, the coun-

try bore the humiliation of being ranked 188 among 191 countries by the World Health Organization in terms of the fairness of medical resources. The Chinese Government is changing course toward a community-based health care network consisting of tens of thousands of doctors like Yan Li to serve the health needs of its urban population.

After reading a blood test report, Yan praised a 59-year-old diabetes patient for controlling his blood glucose level well and asked her details of her diet control that she could share with other patients. An 82-year-old victim of heart disease, who came for regular medication for blood pressure control, grumbled about his wife's reluctance to go to hospital for a blood test despite the symptoms of diabetes. Listening to the old man complaining about the tension over disagreements, Yan said the wife might be suffering from depression and suggested she should be taken to see a professional

psychiatrist. Lu Fengzhang, 75, who has been suffering from heart disease and diabetes for years, came for a blood test. Based on his weight and height, Yan calculated the amount of rice Lu could take every day and instructed him to eat more vegetables. Before Lu left, Yan told him that she would call to inform him of the time of an upcoming lecture on stroke prevention.

**KEEP SAFE:** A doctor from a medical clinic in central Henan Province talks about self-protection and emergency self-help to primary school students prior to summer vacation





**GRASSROOTS HEALTH:**  
Medical authorities of  
Chongqing Municipality  
arranged free medical  
checkups for the city's  
100,000 senior citizens  
over 70 years of age in  
the second half of 2006

ZHOU HENG

### "Brand-name" care

"The characteristic of medicare in China is that it has become both inconvenient and unaffordable," said Li Ling, a professor at the China Center for Economic Research of Peking University, at a symposium last December. She said such a situation was unthinkable in a well-functioning medical system, where expensive health services are always of high quality and convenient while services that people have to queue for are usually inexpensive and even free.

Chen Yude, professor at the School of Public Health of Peking University, pointed out that an important reason for such a situation was that people were rushing to the big, multi-specialty hospitals known for their cutting-edge technology and advanced surgical treatments even for common diseases. Chen said his outpatient surveys in such hospitals in Beijing showed that the most common complaint was upper respiratory tract infection, usu-

ally a common cold. As a patient, Chen told *Beijing Review*, he tried his best to avoid going to The Third Hospital of Peking University, one of the best hospitals in Beijing, despite its proximity to his office. "It is so crowded and I know I will be 'got rid of' in no more than three minutes," said Chen. He said the danger of this "brand-effect" was that patients with a complex disease would not get sufficient time for consultation and check-up.

China embarked on its four-strata national health network in the 1950s. The top three strata comprise comprehensive public hospitals ranked by scale and sophistication of technology while the bottom comprises public clinics at the community level in cities and at the township level in the countryside. Grassroots clinics, amid a market-oriented reform approach and further shrinkage of government subsidies, found themselves short of funds for surgery and development. According to

Chen, subsidies have dropped from 30 percent of total medical expenses to around 16 percent. In the process, most people lost confidence in the quality of community medical health.

With the decline of public clinics, private clinics began to mushroom. According to latest figures released by Ministry of Health, China's non-profitable health bodies stand at 134,000 while profitable ones total 152,000. While only the rich can afford to go to private clinics as such treatment is usually not covered by social security, the majority of the urban population has to choose between the overcrowded big hospitals and the crumbling community hospitals. Although the outpatient registration fee for an expert at a big hospital could be more than 25 times that at a community clinic for a similar service, people often choose the former to play it safe.

"The government's new move in medical reform is aimed at trying to dilute the ►►

middle level of the system and emphasize the bottom level of grassroots clinics," said Chen. According to the Ministry of Health, by the end of 2005, China had 17,000 community clinics, which is more than a doubling of itself in three years. They serviced 59.4 million outpatients, more than 20 percent of China's urban population.

According to a circular on the development of grassroots clinics issued by the Central Government this August, community clinics have six objectives: disease prevention, health consultation, medical treatment, rehabilitation, health education and family planning.

According to Chen, another important function of the grassroots clinics is to act as a "gatekeeper" of big hospitals, ensuring that critically ill patients can be transferred to big hospitals on time, besides providing quality service for outpatients.

"The development of grassroots clinics is all about making the distribution of medical resources fairer," said Chen, "so that every one can share the achievements of our rapid economic growth."

#### Limited resources

Statistics from the Ministry of Health for 2005 indicate that doctors at grassroots clinics diagnosed and treated about 13 patients daily on average. This workload

keeps doctors busy receiving outpatients and leaves them with little time for other tasks such as disease prevention and health awareness education.

According to the August circular on developing grassroots clinics, they will be staffed with two to three general practitioners, one public health doctor, and three to four nurses for every 10,000 people.

Although Yan Li's 16-person clinic—including six doctors of traditional Chinese medicine, one general practitioner and three nurses—meet the staffing requirement in terms of numbers, she still feels the acute shortage of hands. For a lecture on diabetes care, for example, she has to carefully apportion the work among her 16 staffers for contacting the expert, preparing the conference room and helping senile attendees climb the stairs, besides regular outpatient care.

But what was even worse than inadequate staffing was the lack of professional training, she said. "I hear that community health care has developed to an advanced level in the United States," said Yan. "Their community clinics have professional care managers who have received comprehensive training and even their volunteers can educate the public on health awareness in a professional manner. People in that country can have all their health care and consulta-

tion needs met from cradle to grave without leaving their community. We still have a long way to go."

"The quality of the medical staff is the key to a functional community-based clinic network," said Chen. "China has a very small number of general practitioners of international standards. While foreign medical schools offer a major in general practice, it is a relatively new concept in China."

However, as community clinics develop in big cities such as Beijing, Shanghai and Shenzhen, more and more comprehensive hospitals are starting their trial programs to train qualified general practitioners. For example, Fuxing Hospital in Beijing set up a training center for general practitioners in 2005. The training programs include offering clinic staff temporary work opportunities in hospitals and starting a master's course for general practitioners with more than four years' working experience.

Yan Li, who has been working in the clinic since graduation from a medical college in 2002, assumed the position of acting director this April. When asked whether the promotion was a reward for her diligence, the young doctor said, "A better reward would be sending me to a hospital ward for training. I would look forward to it." ■

*(This is the third of the year-end series.)*

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Sales staff members from Days Hotel & Suites Beijing, led by General Manager Alan Tam (center) and Executive Assistant Manager Ray Ng (left), participate in the China International Travel Mart 2006 in Shanghai.



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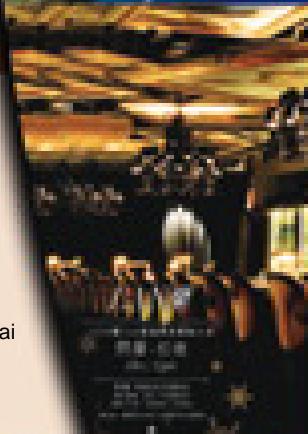
## LAN Club

### Glitz Night

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Time: 19:00 -3:00, December 24  
Price: 1,980-2,380 yuan per person



# Menu for 2008 Olympics

Chefs and time-honored restaurants in Beijing are looking to 2008 to show off the best of Chinese cuisine

By TANG YUANKAI

**C**uisine and sports are the twin passions of 36-year-old Beijing chef Li Jingze's life. Although he feels frustrated by the failures of China's national football team in international games, Li remains a loyal fan of the football team of Beijing in the Chinese Super League and rarely misses the opportunity to cheer when it plays host. Like millions of Chinese men, Li Jingze often wakes up at midnight to watch games of foreign leagues and the World Cup.

Recently, more than 500 Western cuisine restaurants and 100 catering suppliers in Beijing jointly launched a cooking contest. The prize-winning chefs will win a place in the pool of Olympic culinary talents.

Li Jingze, who is good at Chinese and Western cuisine, is bracing himself for the results. "Without Beijing's successful bid for the Olympics, I could never think of using my craft to serve the grand sports gala." He said the competition involving so

many talented chefs would be stiff.

The Beijing Organizing Committee for the Games of the 29th Olympiad (BOCOG) has announced that the cuisine offered in the Olympic village during the Olympics will be mainly Western and the proportion between Western and Chinese dishes will be kept at seven to three.

"This decision has been controversial and Chinese chefs hope athletes and foreign guests will take this opportunity to sample more pure Chinese delicacies, including desserts and snacks," Li Jingze said.

"An exhibition on Chinese cuisine will be open throughout the Olympics in the Olympic village, to showcase China's culinary culture," said Xu Yunfei of the China Cuisine Association.

Li Jingze is not very confident of winning. "At least I participated in the contest," he said. "Moreover, my efforts will still be meaningful if the Chinese spectators at the 2008 Olympics come to my restaurants to taste my specialties."

This October, Li Jingze went on an eye-

opening trip to Xi'an in western China for the Second China Catering Expo. The most impressive part of the exhibition was the recommended menus for the 2008 Olympics.

Li said the dishes were displayed to reflect a sports theme. The altogether 180 dishes were selected from more than 1,800 chefs nationwide, covering a wide array of Western, Chinese and vegetarian food and desserts. Besides the color, smell and taste, the dishes were out through a check by nutritionists to make sure they satisfied athletes' nutritional demands.

It has been estimated by BOCOG that throughout the Olympics in August 2008, the Olympic village will see a peak population of 17,000 people and a permanent population of at least 10,000 people; the larger of the two media villages will house 6,000 people. They will require round-the-clock catering services for 30 days in a row.

"The menus for each meal during the Olympics will be worked out in detail beforehand and every day will have a distinctive menu," said Xu Yunfei. He said the International Olympic Committee would have to approve every menu before it is confirmed as an Olympic menu. Every dish will come with a quality card, certifying that it has been made as per the pre-determined procedures.

The recipes for the strongest, fastest and tallest people on earth are already generating much enthusiasm. "There is not much difference in the ingredients used; only that professional nutritionists' suggestions have been taken into account in preparing the food," said Shen Dan, a nutritionist with international certification. She said that despite the different dietary habits among athletes from different countries, the recipes must all contain enough sugar, fat and protein. She said in Western countries, where sports nutrition starts early, it was common for a professional athlete to have his or her own sports nutritionist who would decide what foods the athlete could eat during and between games.

Shen Dan said the calories in Olympic recipes would be much higher than those in ordinary menus so as to sustain physical recovery after intense exercise and competition. "Compared with ordinary people, athletes' diets feature a higher proportion of carbohydrates and proteins and a lower proportion of fat. In a balanced diet for athletes, calories from carbohydrate, protein and fat should be respectively 70 percent, 15 percent and less than 20 percent of the total."

Food safety remains a top concern. Chinese and foreign experts on the food safety panel of the BOCOG have put forward a comprehensive action plan on food safety, according to which experts will be stationed in the kitchen to supervise the preparation of food.



OLYMPIC DELICACY: At an international gourmet festival in Beijing this April, a team showcases its Olympic-themed dishes

# Old Brands, New Opportunity

Century-old catering brands in Beijing look to the 2008 Olympics for rebirth

By TANG YUANKAI

For many tourists, a trip to Beijing would not be complete without climbing the Great Wall, watching Peking Opera and eating Peking roast duck at "Quanjude". Arguably the best-known restaurant brand in China, the 142-year-old Quanjude was founded by a cunning businessman, Yang Quanren, during the Qing Dynasty (1644-1911). Renting and renovating a fruit and confectionery shop alongside Tian'anmen Square in 1864, Yang named the restaurant Quanjude and hired a chef who had prepared roast duck for the emperor's court, whose techniques made the restaurant a runaway success.

The date May 20, 1993 witnessed the launch of Beijing Quanjude Group, a company with three flagship stores in Beijing's busiest shopping areas and over 60 franchised restaurants in China. Besides its roast duck specialty, Quanjude has developed banquet menus of over 400 new dishes.

Building on its illustrious history, the group is now gearing up for the future, with its eyes trained on the 2008 Beijing Olympic Games.

"During the 2008 Olympics, Peking roast duck will be available at every dining hall of the Olympic stadiums, athletes' village and media center," said Jiang Junxian, President of Beijing Quanjude Group.

He said the company will tailor its products for the Olympics to meet an international standard. "We have adopted new technologies and new production lines to meet the food safety standards of the European Union," said Jiang.

He said to meet the demands of Olympic tourists who might want to bring home roast ducks as gifts, his company has developed vacuum-packaged roast duck and is making sure that it will maintain its original flavor after being reheated. He said eight types of vacuum-packaged duck delicacies, including liver and heart, have hit the market and by the 2008 Olympic Games over 20 kinds will be available.

Some of Quanjude's franchised locations have already begun to highlight an Olympic theme for promotion. A Quanjude restaurant near the Olympic Village recently named its 18 private dining rooms in honor of the 18 host cities of the Olympics and decorated them with posters for the Games. This restaurant has also designed new dishes to fit the Olympic theme, including a cold dish of vegetables cut in the shape of the Olympic rings.

## Upgrading for the future

Other time-honored cuisine brands are following Quanjude's lead.

They are closing down their plants in downtown districts and moving them to an Olympic food production base in Beijing's northern suburb of Shunyi. Completed on November 26, the base covers an area of 8.67 hectares, with an investment of 200 million yuan from Beijing Er Shang Group.

"The base will commit itself to developing new products to cater to the demands of foreign athletes and guests, especially food as gifts and souvenirs," said Sun Jie, President of Beijing Er Shang Group.

Almost every time-honored brand has a story behind it. Wangzhihe, the 330-year-old condiment brand, is no exception. In 1669, Wang Zhihe from central Anhui Province, traveled over 1,000 miles to Beijing for the imperial examination. Having failed the exam, Wang began to make *tofu* for a living.

By accident, at the end of one day he put the leftovers in a jar and opened it months later. To his surprise, the fermented *tofu* in the jar became a highly flavored delicacy. Wang invented a "secret recipe" based on this coincidence, which is still strictly followed by modern *tofu* makers.

However, the production lines of these old brands have been modernized in the new base. For example, the 500-year-old pickle brand Liubiju has changed its containers from porcelain jars to stainless steel containers, which can increase the production scale and shorten the production cycle without sacrificing the authentic flavor.

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# Seeking Harmony in Art

In recent years, Chinese oil painters have created exquisite paintings in various styles. Among these, Yan Zhenduo's works—portraits and landscape paintings alike—are held as models of contemporary expressive art.

Yan began his painting career in the 1960s. Over the past decades, his style has evolved from realism to symbolism and then to quasi-abstract art. Yan sees great value in the integration of oil painting techniques with Chinese aesthetic concepts as he pursues his artistic dream. With this belief, he has explored ways to reproduce the images in his mind's eye in the "language" of oil painting, thus giving art lovers a distinctively Chinese aesthetic experience.

"Yan Zhenduo's recent works seem to feature an irregular color arrangement," commented Wu Guanzhong, an eminent Chinese artist and Yan's teacher. "However, his earlier works, in which he showcased the beauty of lines and strokes by lowering the color tone, are also remarkable. Faced with the conflict between color and strokes, he follows the example of Henri Matisse and tries to highlight strokes in paintings dominated by color."

Wu's remarks are apt. Looking at Yan's paintings, you will feel the strong sentiment Yan has put into his works by using a variety of artistic approaches. In a recent interview with



*A Twisting Town in San Francisco (60 X 76cm) 1990*

Artmedia China's Li Xia, the veteran Chinese painter underscored the need to tailor oil painting to the audience's preferences.

**Li Xia: What specific steps have you taken to tailor oil painting to Chinese aesthetic standards?**

**Yan Zhenduo:** Oil painters should have a deep and thorough understanding of the historical and cultural background of this art. They are also expected to gain a good command of the schools of Western oil painting. However, because of cultural disparities, painters in the East generally find it difficult to master the aesthetic features of Western oil painting. As a matter of fact, they encounter this problem immediately when they set about

learning oil painting. The art of oil painting means that the painters express their thoughts on their traditional culture in the language of that medium.

Not long ago, I was sent by the Ministry of Culture to attend a cultural exchange program at the Irish Museum of Modern Art together with Li Xiaoke, the son of famous painter Li Keran. Present there were artists from around the world. I asked some foreign friends what they thought of modern Chinese art. They told me that modern Chinese art was almost identical with Western art in terms of artistic approach, concept and theme, and few works embodied core Chinese values. According to Western criteria, the Chinese works on display were excel-

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lent. However, they were the works of Chinese painters after all. Chinese painters had been expected to come up with paintings laden with Chinese culture. I often ponder this dilemma. In my opinion, we can use vastly different materials and tools for painting, but the spirit of painting—soothing stressed souls, inspiring the audience and showing concern for the continuation of life—should remain constant.

#### **What prompted you to change your painting style?**

A painter's style reflects not only the painter's understanding of art but also the aesthetic needs of the audience. A good painting should be attractive, refreshing and lively and give the viewers a pleasant impression. As they have a different understanding of life and values, their styles tend to vary. Moreover, they are faced with a severe challenge in the information era, when the public can choose from a large variety of artworks. The painters have to cater to the tastes of the audience by studying their preferences. At the same time, they are obligated to guide the public to a higher level of artistic appreciation.

Painters do not develop their distinctive characters or styles simply to be different. Instead, they follow different styles so that they can serve the diversified needs of the modern audience.

#### **What are the things that have remained unchanged throughout your career?**

I have been deeply interested in all kinds of art around the world, including art that emerged in the early days of human civilization such as oil paint-

ing, porcelain and sculpture. The artworks created against different regional and cultural backgrounds are indicative of the aesthetic concepts of their places of origin and their time.

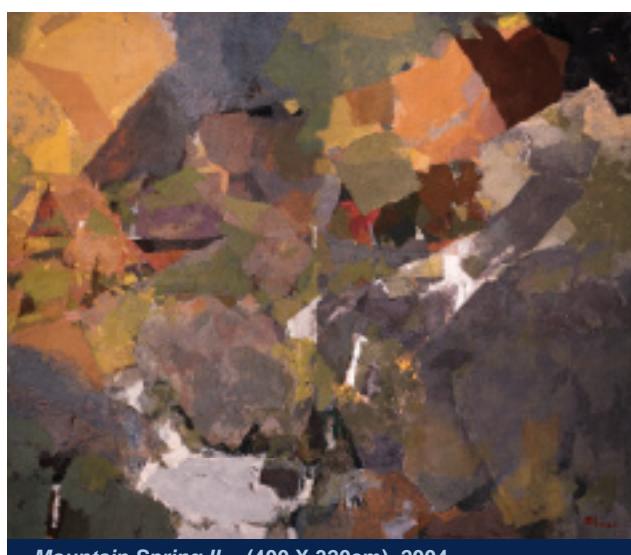
A painter cannot create paintings in isolation from society and the natural environment. We should pay greater attention to the natural environment where we live. Painters are responsible for arousing the general public's concern over the environment and over the future of mankind with their paintings. They should be highly aware of this responsibility to live up to the name of "artist."

#### **"Harmony" is currently a buzzword in China. Do you use this concept in painting?**

Harmony is an indispensable concept in painting as well. While inheriting the forms of Western oil painting, many Eastern painters have devoted their lifetime to seeking highly personal artistic styles. In this process, however, they have discovered that they have a lot in



*Mountain Spring I* (400 X 320cm) 2004



*Mountain Spring II* (400 X 320cm) 2004

common. This shows the harmony between common features and distinctive characters.

Painters should bring their colors into harmony, too. They can do this through either contrast or comparison. According to the former approach, painters put together highly contrasting colors to form an orderly, proportionate equilibrium. According to the latter, they highlight the distinctive characters of all colors to give the audience an enjoyable visual experience.

Social harmony will materialize with the exchanges among social systems, the integration of cultures and the mutually respectful and equal relations among ethnic groups. It is an ideal state of society.



**Yan Zhenduo**

Born in Jixian County of Hebei Province in 1940

Graduated from the Central Academy of Fine Arts in 1967

Deputy Secretary General of China Oil Painting Society

Judge for National Exhibition of Art Works for many years

Gold Award winner in the 10th National Exhibition of Art Works



AT HOME AND ABROAD: China's UnionPay card service was launched in Australia on November 16

# Banks Bust Open

Banks and other financial sectors open their doors to foreign competition

By LAN XINZHEN

Officially, December 11 marked a turning point for the Chinese financial sector. Under China's commitments to the World Trade Organization (WTO), beginning December 11, foreign banks must be fully allowed to participate in the Chinese market. Practically speaking, that means they can enter the renminbi retail business.

Banking, insurance and securities are the three pillar sectors of China's financial industry. The insurance sector was fully opened to foreign companies two years ago and the securities industry has also shown signs of international market life.

But banking was the sector that everyone's eyes were watching on December 11.

"The opening of the banking industry

internationalizes the competition in the Chinese financial market," said Liu Fuxiang, professor with the University of International Business and Economics.

## Ahead of schedule

Judging by the current situation, China has not only fulfilled its WTO commitments, but is going far beyond its commitments.

As a matter of fact, China completely opened its foreign currency business in 2001. In December 2003, foreign banks were able to conduct renminbi business for Chinese enterprises. Thirteen cities allowed foreign banks to operate renminbi businesses.

But all along, China had been pushing the envelope to open up the financial sector in other ways as well, Liu said. For instance,

a single foreign company can take as much as 20 percent of the stock of a Chinese bank, an increase from the committed 15 percent. As of December 2005, renminbi business in 25 cities was opened to foreign banks, with seven cities ahead of schedule. Meanwhile, 25 foreign banks have acquired stock in 20 Chinese banks.

In the insurance sector, the foreign stock holding should not be above 50 percent in life insurance companies. Apart from that, the insurance sector has been opened to the outside world on a general basis.

In the Chinese securities sector, perhaps the biggest indicator of market progress is QFII (Qualified Foreign Institutional Investor), which provides foreign capital an opportunity to participate directly in the Chinese domestic stock market. By October 27, 51 foreign institutional investors

became QFIIs, with investment quota of \$12.6 billion.

Zhou Zhengqing, Vice Director of the Finance and Economic Committee of the National People's Congress, once a participant in WTO negotiations, noted that China has vigorously opened its service trade and has fully fulfilled its WTO commitments in many important service sectors, including finance.

### More competition

Liu stated that there are two highlights of the foreseeable competition among financial institutions.

The first is that the financing ability of small and medium-sized enterprises (SMEs) will be improved.

Liu noted that there is currently over 9 trillion yuan of superfluous liquidity in the Chinese banking system. If the more than \$1 trillion in foreign exchange reserves are added to the mix, the total idle capital accounts for about 46 percent of the total financial assets.

"The waste of financial resources is huge," noted Liu.

Ironically, many SMEs cannot get sufficient support from banks. The reason for this often cited by banks is that they fear that they cannot get their loans back if SMEs fail. But as Liu contended, the true reason is that the operational mechanism of domestic banks is immature. Several years ago, they were all state owned.

"As for SMEs, foreign banks' involvement in renminbi business provides them another way to raise money," said Liu.

The other highlight is that Chinese people will have more investment opportunities. Many financial services, including housing mortgage loans, medical insurance,



(1) **BRING IT ON:** Ping An of China, a Chinese insurance company, is ready for challenges from foreign rivals

(2) **NEW BRANCH:** Hong Kong Heng Seng Bank opened a new branch in Guangzhou

(3) **GETTING READY:** In a financing exhibition held in Shanghai on November 17-20, foreign banks like ABN AMRO were striving to attract customers

car loans and educational loans, are not well developed. People tend to determine how much to spend in the future based on their current income.

Now, faced with foreign investment ideology, more and more Chinese will turn into investors rather than mere depositors.

Su Ning, Vice Governor of the People's Bank of China, believes the opening of the financial market will push financial institutions to create new services for consumers.

After China's accession to the WTO in 2001, China's financial industry was forced to innovate to provide new financial products like credit cards and housing loans.

"The opening up of the financial industry brings us advanced financial technology, financial service and financial product designs," Su said.

"In addition to the opportunities and benefits, foreign financial institutions have also brought about a negative impact, which



cannot be neglected," said Xu Hongcai, professor with the Capital University of Economics and Business.

Xu contended foreign financial institutions could drain the talent of domestic institutions.

According to Xinhua News Agency, Peter Wong, Executive Director of HSBC, said HSBC planned to add 2,000 more employees on the Chinese mainland. By the end of 2007, the number of HSBC employees on the Chinese mainland will surpass 4,000. Meanwhile, Standard Chartered, Heng Seng Bank and Bank of East Asia are also rapidly expanding and recruiting more people.

"Foreign financial institutions must localize, and so must their employees. As a result, more talented financial personnel will be lost to foreign institutions," said Xu. "The real challenge will be in the few years ►►



ahead."

Wang Zhao, a researcher with the Development Research Center of the State Council, noted that the entry of foreign financial institutions imposes difficulties on managing financial institutions. "First of all, it will be hard to coordinate monetary policy," said Wang.

Further, he said, in 1997 China successfully overcame the Asian financial crisis because its financial market was not fully opened to the world. Under the current situation, any tiny fluctuation in the world financial market will affect the Chinese market.

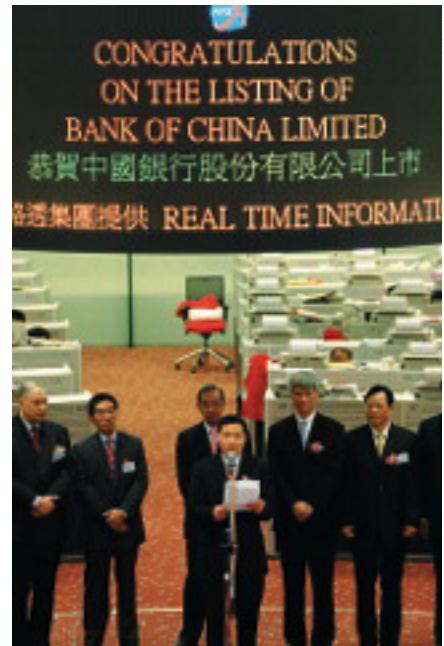
### Future development

From now on, the Chinese financial system will undergo significant change, said Xu Mingqi, an economic researcher with the Shanghai Academy of Social Sciences.

Xu believes that the competition among financial institutions will change the operational model of Chinese banks.

Xu noted that in the short term, despite the fact that the market share of foreign financial institutions is incomparable to that of Chinese financial institutions, fierce competition would still arise.

"One element should not be neglected: Foreign financial institutions' advantage in terms of mixed operation will win them a



**GETTING LISTED:** On June 1, Bank of China was successfully listed on the Hong Kong stock exchange

competitive edge in the Chinese financial service competition," said Xu.

His view is echoed by Huang Yanfen, a business professor with the Guanghua

School of Management of Peking University. Huang pointed out that mixed operation is the focus of competition in the future Chinese financial sector.

Huang noted that for a long period of time, the Chinese financial industry has been operated separately, which means that banking, securities and insurance operate on their own. Although this separated pattern is helpful to control financial risks, mixed operation should be adopted by the Chinese financial industry, which will ease its disadvantages in an open market competition. Therefore, breaking down the current separated operation pattern is the key to China's financial restructuring.

"Mixed operation is a trend for the financial industry," said Huang.

Huang believes that competition makes the domestic financial market more globalized.

The lifting of restrictions in the Chinese financial market is helpful for foreign companies' entry into China's market, and at the same time cultivates domestic financial institutions to become stronger in an environment full of international competition.

"The opening up of China's financial market also stimulates the integration of Chinese laws and regulations into common international practice," Huang said. ■

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**OPENING ACT:**  
The Regulations on  
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Banks foster opening  
of China's banking  
sector. A lion dance  
is performed at the  
opening ceremony  
of HSBC's Lufthansa  
Centre Sub-branch  
in Beijing



WANG JUN/ENPHOTO

## Good Laws for Banks

As China completes its WTO commitments, new regulations should help banks expand their services

By WANG JUN

The Standard Chartered Bank, which has 20 outlets in 14 Chinese cities at present, applied to the China Banking Regulatory Commission (CBRC) to set up a China-registered subsidiary and offer renminbi business for individuals on November 16, when the Regulations on Administration of Foreign-Funded Banks were just publicized.

"We are pleased about the announcement as we are actively interested in the opportunity to locally incorporate our business in China," Standard Chartered Bank China Chief Executive Officer Katherine Tsang said in a statement. The bank also plans to open two new sub-branches by the end of this year and double its outlets in China over the next 18 months. Some other foreign-funded banks, such as Citibank and the Hong Kong and Shanghai Banking Corp. (HSBC), also showed the same intent

to apply to be locally incorporated banks.

### Doors opened

After its accession to the WTO, China has faithfully honored its WTO commitments and taken a series of opening-up measures on its own initiative. According to statistics released by the CBRC, as of the end of September 2006, there were 14 wholly foreign-funded banks and joint venture banks registered in China, which opened 17 branches and sub-branches. In addition, 73 foreign banks from 22 different countries and regions established 191 branches and 61 sub-branches in 24 Chinese cities and 183 foreign banks from 41 countries and regions established 242 representative offices in 24 cities. The total renminbi and foreign currency assets of these foreign-funded banks amounted to \$105.1 billion, accounting for 1.9 percent of the total banking assets in China. The total deposits amounted to \$33.4 billion and the

loans totaled \$54.9 billion.

According to Chinese laws and regulations, Chinese branches of foreign banks, wholly foreign-funded banks and Chinese-foreign joint venture banks can, subject to approval, operate business in deposits, loans, clearing, trust services and insurance agencies. Additionally, such banks can apply to conduct renminbi business as long as they satisfy the requirements of operational periods, profitability and prudent operation. At the same time, foreign-funded banks are allowed to engage in derivatives trading, personal wealth management, off-shore banking services on an agency basis (Qualified Domestic Institutional Investor) and electronic banking. The foreign-funded banks are now permitted to engage in over 100 categories of business activities. According to the CBRC statistics, by the end of September 2006, 25 Chinese cities were opened to foreign-funded banks' renminbi business, of which five cities were opened ahead of schedule, with 111 foreign-funded banks being permitted to undertake renminbi business. Since 2001, the volume of renminbi business by foreign-funded banks has grown 4.6 times at an annual average rate of 92 percent.

### A growing regulator

In recent years, the Chinese Government has amended and promulgated a series of laws and regulations on banking ►►



# 中国农业银行

## AGRICULTURAL BANK OF CHINA

**NOT LISTED YET:** Many Chinese commercial banks choose to be listed in order to better cope with challenges after the opening of the Chinese banking sector. Agricultural Bank of China, the only unlisted among China's four largest state-owned commercial banks, is also preparing for its IPO

CHINA DAILY

institutions and their business activities. Thus, a legal framework for banking regulation and supervision has taken shape, such as the Law on Banking Regulation and Supervision, and the Regulations on Administration of Foreign-Funded Financial Institutions.

Meanwhile, the Chinese Government attaches great importance to mitigating the risks arising in the process of opening up through prudent supervision. By drawing upon international supervisory standards and best practices, China has endeavored to create a fair and transparent supervisory environment, and has made notable progress in integrating the supervisory standards and requirements for both local and foreign banks, said the CBRC in a statement. China also keeps improving its processes and procedures for the supervision of foreign-funded banks, including adopting a risk assessment system for the supervision of foreign bank branches.

### New regulations

On November 16, the State Council issued the Regulations on Administration of Foreign-Funded Banks, which took effect as of December 11, the day when China was expected to fully open its banking sector to foreign competition.

According to the regulations, subsidiaries of foreign-funded banks are encouraged to become locally incorporated banks so that they can enjoy the national treatment and the CBRC can better supervise their operation. "The policy favoring Chinese corporate status complies with WTO rules, which allow its members to adopt measures of prudence when opening up the banking sector," said Wang Zhaoxing, Assistant Chairman of the CBRC.

After they become locally incorporated banks, foreign-funded banks can issue credit cards in renminbi. The foreign-funded banks are required to have good risk management, risk control systems and informa-

### China's WTO Commitments in the Banking Sector

#### 1. On the issue of cross-border supplies, foreign-owned companies can make provisions and transfer financial information, financial data processing and related software via other financial service suppliers;

Advisory, intermediation and other auxiliary financial services on all activities include credit referencing and analysis, investment and portfolio research and advice, advice on acquisitions and corporate restructuring and strategies.

#### 2. Restrictions on establishing foreign-owned banks in China

##### ● Geographic Coverage

For the foreign currency business, there will be no geographic restriction upon accession.

For the local currency business, the geographic restrictions will be phased out as follows: Upon the WTO accession, Shanghai, Shenzhen, Tianjin and Dalian; within one year of accession, Guangzhou, Zhuhai, Qingdao, Nanjing and Wuhan; within two years of accession, Jinan, Fuzhou, Chengdu and Chongqing; within three years of accession, Kunming, Beijing and Xiamen; within four years of accession, Shantou, Ningbo, Shenyang and Xi'an. Within five years of accession, all geographic restrictions will be removed.

##### ● Clients

For the foreign currency business, foreign financial institutions will be permitted to provide services in China without restrictions to clients upon accession.

For the local currency business, within two years of accession, foreign financial institutions will be permitted to provide services to Chinese enterprises. Within five years of accession, foreign financial institutions will be permitted to provide services to all Chinese clients. Foreign financial institutions licensed for the local

currency business in one region in China may serve clients in any other region opened for such business.

##### ● Licensing

Criteria used for authorization to deal in China's financial services sector are solely prudential (i.e., contain no economic needs tests or quantitative limits on licenses). Within five years of accession, any existing non-prudential measures restricting ownership, operation and juridical forms of foreign financial institutions, including internal branching and licenses, will be eliminated.

● Foreign financial institutions that meet the following conditions will be permitted to establish a subsidiary of a foreign bank or foreign finance company in China:

Total assets of more than \$10 billion at the end of the year prior to filing the application

● Foreign financial institutions that meet the following conditions will be permitted to establish a foreign branch in China:

Total assets of more than \$20 billion at the end of the year prior to filing the application

● Foreign financial institutions that meet the following conditions will be permitted to establish a Chinese-foreign joint bank or Chinese-foreign joint finance company in China:

Total assets of more than \$10 billion at the end of the year prior to filing the application

● Qualifications for foreign financial institutions to engage in local currency business are as follows:

Three years of business operations in China and profitability for two consecutive years prior to the application

Source: www.sohu.com

tion technology support systems to hedge risks in the issuance of credit cards in China.

The new regulations lift restrictions on renminbi and foreign-currency transactions by solely foreign-funded banks and Chinese-foreign joint venture banks. Chinese branches of foreign banks, however, are banned from offering renminbi services to Chinese citizens unless an individual, having obtained the approval of the banking regulatory authority, makes a fixed deposit of no less than 1 million yuan.

Foreign financial institutions with good credit are encouraged to join China's commercial banks through share purchasing and equity participation. The introduction of foreign strategic partners into Chinese banks has played a positive role in improving their risk management, financial innovation and in enhancing their competitiveness, Wang added.

Foreign-funded banks welcome the new regulations. Richard Yorke, President of HSBC's China operations, said the release of the regulations marked a historical milestone for China's finance industry and also marked the fifth anniversary of China's entry into the WTO. HSBC Group has 13 branches and 13 offices on the Chinese mainland and a new Xi'an branch will be launched before the end of this year.

Makoto Motooka, the Shanghai branch director of the Bank of Tokyo-Mitsubishi UFJ, expressed his respect for the Chinese authorities in pushing forward the opening-up of its financial sector by saying that his bank plans to promote business in China and the new regulations would provide strong support. "We hope to have the opportunity of discussing our future development with the Chinese financial authorities," said Motooka.

### Banks can hardly wait

The Citigroup consortium signed an agreement to pay 24 billion yuan for 85.59 percent of Guangdong Development Bank (GDB) shares on November 16, the same day of the release of the new regulations.

Among the six-institution consortium, Citigroup, China Life Insurance Group, the nation's largest insurer, and State Grid, a major electricity distributor, will hold 20 percent of GDB shares respectively. The other three institutions, including IBM Credit, will hold the remaining 25.59 percent.

GDB Board Chairman Li Ruohong said the restructuring will help the bank's development with participation of both international and domestic players. GDB President Zhang Guanghua deemed that the restructuring was not the only one of its kind in the reform and opening up of China's finance industry. Before this deal, HSBC owned 20

percent of Bank of Communications Ltd., China's fifth largest bank, while Bank of America has 8.52 percent of China Construction Bank, the third largest commercial bank in the country.

As China fulfills its commitments to the WTO, competition in the banking sector will sharpen. Foreign banks that previously targeted high-end customers will turn their attention to small and medium-sized enterprises, said Zhu Min, Vice Chairman of Bank of China.

The government has taken measures to open financial markets, including the introduction of foreign strategic investors, which allowed the Industrial and Commercial Bank of China to invite help from Goldman Sachs, Allianz and American Express, said Dong Tiefeng, an official with the CBRC. The reform's ultimate goal was to transform the banks into market players with efficient and modern corporate governance, Dong continued.

"Chinese banks should improve their capital structure and provide more diverse products," said Cao Yuanzheng, Chief Economist with Bank of China International. According to Cao, they should also pay more attention to business risks, especially in fields such as electronics and information resources sharing. ■

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# Think Cooperation, Not Competition



**China's insurance industry is now open to foreigners, and that's a good thing for all players**

By TAN WEI

**M**aybe no other foreign chief executive officer is more familiar with China than Maurice R. Greenberg. In 1975, as Chairman of the Board of American International Group Inc. (AIG), Greenberg paid his first visit to China. During the following 30 years, he has been to China several times every year. You can never ignore a country with such a size, Greenberg said, believing that China will be a significant leader in the world.

After his first China tour, Greenberg broke into the China market step by step by cooperating with the People's Insurance Co. of China (PICC). In 1992, AIG got the first approval granted to establish a foreign company in China. Greenberg applied to rent Building No.17 of Zhongshan Dongyilu on the Bund in Shanghai for 30 years, where American International Assurance Co. Ltd. (AIA), a wholly owned subsidiary of AIG, first began operations in 1931. In 1996, the building was named "AIA Building," with three big Chinese characters meaning "back

to hometown" inside the building. AIA, which began operating again in 1992 under AIG, became the first and only foreign-funded insurance company in China until now.

Greenberg made the right decision since AIG soon achieved substantial profits in China. AIA has become the strongest foreign-funded insurance company in the country, with eight branches and sub-branches in China. By the end of 2005, AIA

**Graph 1: Top 10 Life Insurance Companies, Jan.-Oct. 2006**

Company	Premium (bn yuan)
China Life Insurance Co. Ltd.	160.1
Ping An Insurance	56.5
CPIC Life	30.21
New China Life	22.25
China Life (unlisted part)	18.97
Taikang Life	16.82
Taiping Life	9.3
AIA (foreign-funded)	5.42
Generali China Life (foreign-funded)	3.23
Sino Life	2.91

had generated more than 1 billion yuan in China, ranking first among foreign-funded insurance companies in China.

As for the end of the transitional period after China's accession to the World Trade Organization (WTO), Greenberg believes that greater market access will bring fiercer competition. Future competitors come from not only the insurance industry, but also other financial sectors such as banks.

## More cooperation than competition

"Chinese insurance companies' and foreign-funded insurance companies' advantages are complementary, laying a foundation for later cooperation between the two sides," said Xu Shuijun, General Manager of the AIA Beijing branch. According to him, on the open market after China's accession to the WTO, cooperation between Chinese and foreign-funded insurance companies should trump competition as the common mission of Chinese and foreign insurance companies is to make a bigger insurance industry market.

The insurance industry is the most open sector among China's financial services, but competition is not as fierce as expected. On the contrary, insurance companies from home and abroad are advancing side by side through cooperating with and learning from each other. Statistics from the China Insurance Regulatory Commission (CIRC) show that during the past five years, Chinese insurance industry revenues have been growing at an annual rate of more than 30 percent. In 2001, industry turnover stood at 210 billion yuan, but in the first four months of this year, the turnover already totaled the same amount.

"The Chinese insurance industry has not been developed as long as other financial service sectors, hence it has more potential," Xu said. "It is far easier to exploit new market fields and co-develop the insurance market than to rub off market share from competitors." Xu's opinion reflects that of many industry insiders.

In 1992, the AIA Shanghai branch trained the first group of insurance agents in China. This sales pattern was soon adopted by domestic insurance companies that exploited a pattern more suitable for China: developing their businesses by using the extensive social connections of insurance agents. Even now, domestic-funded insurance companies still have better marketing services and social connections than their foreign counterparts. In 2005, Chinese insur-

ance companies occupied 93.1 percent of the insurance market—much more than foreign-funded ones did.

However, foreign-funded insurance companies have their own strengths. Most of them focus on the weak areas of Chinese insurance companies, paying attention to product innovation and more balanced product structure. In fields like liability insurance, project insurance and credit insurance, foreign-funded insurance companies hold absolute advantages. In recent years, they have been growing at high speed. According to Ba Shusong, Deputy Director of the Financial Institute of the Development Research Center of the State Council, in 2005, premiums of domestic-funded insurance companies grew 8.52 percent year on year, while those of foreign-funded insurance companies soared 248.45 percent over a year earlier. Further, among the 82 insurance companies on the Chinese market by the end of 2005, there were 41 foreign-funded ones with nearly 400 branches and sub-branches.

**Graph 2: Top 10 Property and Casualty Companies, Jan.-Oct. 2006**

Company	Premium (bn yuan)
PICC Property and Casualty	61
China Pacific Property	15.16
Ping An Property and Casualty	14.13
China United Property	12.31
China Continent Property and Casualty	5.22
Tianan	5.15
Yongan	3.27
Anbang Property and Casualty	2.84
Sinosafe	2.36
Sinoustre	2.04

Notes: AIU ranks 17th with premiums of 589 million yuan, being the largest foreign-funded in China.

In Xu's opinion, after the insurance market gradually opened up, the Chinese insurance industry introduced advanced foreign training mechanisms of actuaries and some professional examinations and qualification certifications, making the Chinese insurance market closer to that of international practice.

### New financing channels

After AIA started its business in Shanghai in 1992, Morgan Stanley and Goldman Sachs purchased shares of Ping An Insurance Co. in 1994, making them the first foreign capital entering China's insurance market by buying shares.

At present, the largest shareholder of Ping An is Hong Kong and Shanghai Banking Corp.; the largest shareholder of New China Life Insurance is Zurich Financial Services Group from Switzerland; and the largest shareholder of Taikang Life Insurance is Swiss Life. There are many other similar cases. Figures from the CIRC indicate that by the end of 2005, 17 Chinese insurance companies had foreign shareholders.

"Since the insurance market is opened, there has been over 60 billion yuan worth of overseas capital coming into China by way of establishing foreign-funded insurance companies or buying shares of Chinese insurance companies, driving development of the Chinese insurance industry," said Meng Zhaoyi, Director of the CIRC International Department.

Among the paid-in capital of PICC Property and Casualty Insurance Co. Ltd. and China Life Insurance Co. Ltd., which are listed overseas, 10 billion yuan is foreign capital, according to CIRC figures.

"In the future, foreign capital may focus on the insurance agency market, which is slated to open further," Meng said. "This will bring more pressure to Chinese financial

## Insurance Industry Highlights in China

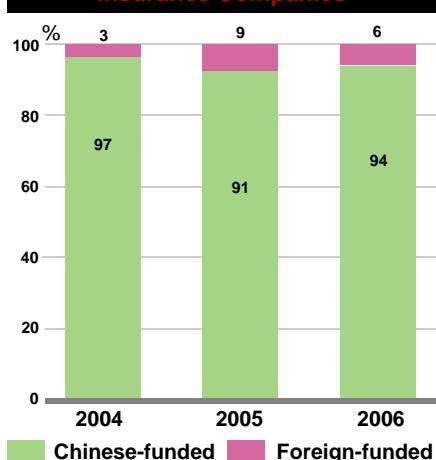
- Within five years after China entered the WTO, China had fulfilled its commitments and opened the insurance industry. However, foreign-funded property insurance companies cannot offer motor vehicle third party liability insurance. Joint ventures also must be adopted if foreign investors plan to establish life insurance companies in China. Foreign capital must hold shares of no more than 50 percent.

- According to the latest CIRC statistics, among the 89 insurance companies in China, half are foreign-funded ones. There are 47 foreign insurance companies from 15 countries or regions with 121 operating institutions in China with total assets of 20.77 billion yuan, accounting for 31.4 percent of the total assets of all foreign-funded enterprises in China. Major transnational insurance groups in the world and insurance companies in developed countries have entered the Chinese market. China has become one of the most important emerging insurance markets in the world.

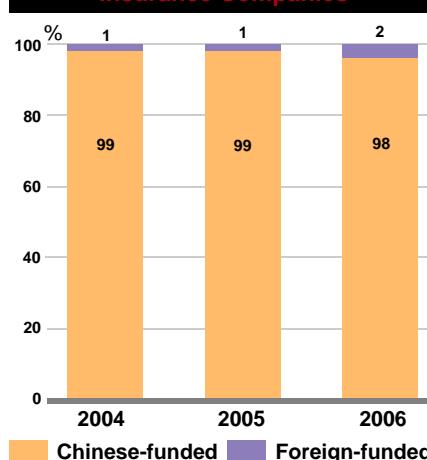
- From January to October 2006, premiums of foreign-funded insurance companies totaled 19.11 billion yuan, with a market share of 4.07 percent. In Beijing, Shanghai, Shenzhen and Guangdong, which were opened ahead of other regions with more concentrated foreign capital, foreign-funded companies hold 18.15 percent, 18.62 percent, 10.73 percent and 9.68 percent of the market, respectively.

- Foreign-funded insurance companies are encouraged to establish operating institutions in the central, west and northeast areas of China. Qualified domestic joint stock insurance companies are allowed to introduce foreign capital.

**Graph 3: Premium of Life Insurance Companies**



**Graph 4: Premium of Property Insurance Companies**



institutions. Meanwhile, we will actively expand international insurance supervision cooperation and strengthen supervision over cross-border insurance transactions."

"We have now seen the services and performance of foreign-funded companies," said Hao Yansu, Dean of the Insurance Department of Central University of Finance and Economics. "Their training and their management attitude toward products make the Chinese insurance industry learn much and advance faster. After 2006, the Chinese insurance market should be more open to facilitate foreign-funded companies. It might be good news to the Chinese insurance industry, and to the Chinese people."



**BULLISH ON SECURITIES:**  
Some say the opening of the Chinese securities market is just a matter of time

The opening of the securities market means that foreign investors can buy and sell domestic securities freely, which leads to cross-border capital flow. It involves the opening of China's capital account, i.e. convertibility of renminbi, and is not part of its WTO commitments.

However, China has, to some extent, opened its securities market, more than what it had committed to do for the WTO.

One main effort China has made is access to the IPO market. The Chinese Government issued two regulations allowing foreign-funded companies in China to be listed and issue stocks in and outside of China.

Second, although China didn't commit to opening its A share market, foreign capital can access the A share market through being qualified foreign institutional investors (QFIIs) or foreign strategic investors.

Zhong believes that China has done a lot in the areas of securities. Compared with foreign securities companies, Chinese securities companies are numerous, but small in scale and limited in strength. According to the Securities Association of China, the total aggregate asset value of all securities companies in China is only around 600 billion yuan. If the securities market were fully opened like the insurance and banking markets, surging international capital would have weakened the fragile Chinese securities market. Worse still, the speculative nature of foreign securities companies would harm the whole national economy and bring instability to the whole economic system.

#### Emerging problems

Even though China has been cautious in this sector, some problems still occurred in the securities industry.

Currently, China does not allow foreign capital to establish wholly foreign-owned securities institutions. Therefore, foreign companies have to set up JVs with Chinese companies to enter the securities industry. Currently, seven China-foreign securities JVs have been set up, including China International Capital Corp., Bank of China International (China) Ltd., China Euro Securities Ltd., Changjiang BNP Paribas

# No Wall Street Here

China's securities market is still underdeveloped, and it will take time to allow foreign investors to participate freely

By LAN XINZHEN

**S**orry, foreign investors. For those of you who want to trade freely in Chinese securities, you'll have to wait because the market has not been fully opened to foreign capital.

Compared with the insurance and banking sectors, China's securities market is much more limited to foreign investment.

#### Restricted market

"As part of its WTO commitments, China has promised to open its securities service sector," said Zhong Wei, economic professor with Beijing Normal University.

Under China's WTO commitments, foreign securities institutions and brokerage firms are allowed to engage directly in the trading of foreign-currency-denominated B shares without having to go through a Chinese intermediary. Their representative offices in China may become "special

members" of China's stock exchanges. They also may establish joint venture (JV) securities companies. Foreign partners' shares were limited to 33 percent upon China's accession to the WTO and reached a maximum of 49 percent in 2004. JV securities companies can underwrite A shares, B shares, H shares, government and corporate bonds.

China fulfilled the abovementioned commitments by November 2003, ahead of schedule.

"However, China's WTO commitments do not involve the opening of the A share market, or establishing wholly foreign-funded securities operatives and management companies," Zhong pointed out.

China's securities market has only 15 years of experience and was grown in a relatively closed environment. Therefore, it is still an immature emerging market now, and it will take time for the securities market to be fully opened.

Peregrine Securities Co. Ltd., Daiwa SMBC-SSC Securities Co. Ltd., Goldman Sachs Gao Hua Securities Co. Ltd. and UBS Beijing Securities.

According to China's WTO commitments, foreign companies are allowed to set up JVs to engage in the Chinese securities investment fund management business. Foreign partners' shares were limited to 33 percent upon China's accession to the WTO and reached a maximum of 49 percent in 2004. Further, Chinese and foreign stockholders are entitled to management rights in line with their stock proportions.

But according to Beijing-based *Financial News*, in such JVs, the management rights of foreign shareholders far outpace their stock proportions, surpassing that of Chinese shareholders.

Meanwhile, the securities JVs do not bring much innovation to the Chinese securities market. Chinese shareholders hope JVs can introduce advanced management experience and technology so as to strengthen their investment banking operations. However, their mission differs from foreign shareholders, who see JVs only as a springboard to enter the Chinese market. As soon as policies allow, they hope to form exclusively foreign-owned companies, taking personnel and technology accumulated in JVs. With different objectives within the same company, the foreign and Chinese sides have failed to find a way to converge their interests.

There are also many existing problems in the Chinese securities market. For instance, the over-the-counter market has not been established, the venture capital system is also immature and market supervision is insufficient. But securities supervisory departments at all levels, meanwhile,

are strengthening their efforts to prevent poorly managed and high-risk foreign securities companies from setting up JVs.

For instance, after UBS Beijing Securities was approved, the China Securities Regulatory Commission (CSRC) did not give approval to any new securities JV.

*China Securities Journal* reported that after the comprehensive rectification of all securities companies by October 2007, China will resume the approval procedure for securities JVs.

securities market is gradually opened to full competition.

"After 2020, when the securities market is matured, it will be able to prevent possible risks in the market," said Zhou.

As a matter of fact, the Chinese Government has already taken on the project of opening the securities market. The split share structure reform starting in 2004 provided foreign strategic investors with an opportunity to participate in the domestic stock market.

Shang Fulin, CSRC Chairman, noted that pushing forward the opening to the outside world is a key part of reform and development in China's capital market. Shang revealed that in the future, China will pursue opening according to the following principles.

First, the market reform should be actively carried out in an orderly fashion. The opening of the securities market and capital market should be in line with the opening progress of the whole economy. It should also be coordinated with the foreign exchange reform and the opening of the whole financial market.

Second, the securities market should learn from the successful experience of developed markets by introducing foreign talent, technology and foreign capital to restore the imbalanced capital structure in the Chinese capital market.

Third, China promotes fair play and mutual benefit. Both Chinese and foreign securities operators should be entitled to the same treatment and policies. They should compete and cooperate so as to maximize their profitability.

"Foreign capital should enter the Chinese securities market step by step at an appropriate time," Shang said. ■



**ORGANIZED TRADING FLOOR:** China is working on getting its securities market in shape for investors of all stripes

#### Market opening inevitable

"The complete opening up of the securities market is an irreversible trend," said Professor Zhou Zhanzhong at Zhongnan University of Economics and Law.

Zhou believes China's securities market should go through two phases before it is fully opened to foreign capital. The first phase is from the present to 2015, which will focus on capital introduction and solving existing problems. The second phase is from 2015 to 2020, when the domestic



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# How to Select an International Debt Collection Agency

Along with the progress of global trade and finance, business competition between suppliers has become even more furious. Most international markets tend to be buyers' markets. That means, the buyers dominate the market and have the voice. As a result, to purchase on credit becomes the mainstream. Commercial credit transactions are common in international business. In order to gain more business and develop well in the marketplace, vendors extend credit to their clients. Thus credit risk problems are looming. Traditional and conservative transactions also carry such risks. Unless the buyers pay in full, the risks cannot be avoided. However, payment in full generates risks to the importers. Nowadays, credit management becomes a main task to financial managers, whether of the exporter or of the importer. And debt collection is an important part of financial and credit management.

Debt collection is defined as collecting or attempting to collect debts for another person or institution. A debt collection agency is an institution that regularly collects debts for an unrelated institution. When the debt exists abroad, debt collection action is an international one.

In international trade, buyers and vendors are located in different countries.

There are long distances between both parties. The creditors can hardly know details of the social, economic and legal environment of the debtors' country. This makes it more difficult for international over-

due payment problems to be settled than domestic ones. In such a situation, turning to a professional debt collection agency appears attractive and cost-effective. A good debt collection agency is efficient, economical and expert. It can save business enterprises' human resources and other input. Based on the above reason, outsourcing becomes popular in the debt collection industry. To select a good and suitable debt collection agency is crucial to credit management.

There are numerous commercial debt collection agencies all over the globe. As per related statistics, more than 100 debt collection agencies of different sizes operate in the small region of Hong Kong. In the United States, the number is over 1,000. These agencies must have their expertise and specialties so as to develop in this industry. Yet they differ somehow in efficiency, services, fees and credibility. "How can we select a superior one from all these agencies to assist us?" This question is frequently asked in the business community. We would like to take this opportunity to share with you the four essential characteristics that we have identified of an excellent collection agency.

● **Great international reputation.** Defaulting debtors undermine the basis of an economy's credit



SINOSURE professionals meet officials of Dutch customs in Rotterdam

system, and the purpose of debt collection and recovery is to maintain and lubricate that system. If a debt collection institution does not have a high and good reputation, it cannot get the trust from the creditors. In the same vein, if it does not have the high reputation, it cannot impose enough pressure on the debtors and produce satisfactory effect on the collection cases.

● **Professionals and highly qualified experts.** International debt collection is a challenging work that requires expertise and professionalism. The collection team needs to be versed in international trade and settlement, as well as international finance and laws. They have to know not only theory but, more important, to know about the practices in the above areas. What's more, these professionals need to have a precise mind with logic. They should be able to analyze problems before settling them creatively. Common personnel without the above qualifications cannot vindicate the creditor's (client's) rights and benefits and fight for them appropriately.

● **A collection network that covers the debtors' regions.** A fully developed international debt recovery institution must have an extensive network all over the world. It also needs to have intensive units to do collection work in special regions. For its own units and its extensive network as well, a professional institution ought to assess them systematically and



SINOSURE debt collectors pose for a group picture during their visit to the headquarters of a European credit management firm

evaluate the performances rigorously. With the qualified units and network teams, a good collection agency can deal with different types of debtors, regarding the specific situation and character of principals. A good collection agency has the capability to choose the suitable professional and/or network partner to proceed regarding diverse cases and disputes.

**Office automation and modernized working platform.** International debt collection requires plenty of communication with parties in different regions. Spatial distance adds some difficulty to these communications. In the era of information technology (IT) and with the development of the Internet, office automation becomes a necessity to a majority of organizations. More and more international debt collection and management companies choose to establish their own business IT systems in order to integrate

tion service to its counterparts in other countries and regions as well as all companies pursuing international trade. SINOSURE Debt Collection Division aims to be the leading provider of accounts receivable management services in China.

SINOSURE was established in October 2001 by merging the Export Credit Insurance Departments of PICC Property and Casualty Co. Ltd. and China Exim Bank. The recovery regions cover six continents. SINOSURE Debt Collection Division has teams comprised of experienced professionals. Some of them are good at international trade and settlement practices, some excel at finance and others specialize in laws. All the professionals and their assistants are at least bilingual, which facilitates their communication with both the clients and debtors. Based on their long period of practice in international debt collection and recovery, a mature network overseas and in China as well has been established.

Being the only official export credit agency (ECA) that pursues the export credit insurance business and derivative services in China, SINOSURE is a policy-oriented corporation. SINOSURE is also the only member representing China in the Berne Union (the International Union of Credit and Investment Insurers). From the above you can see that SINOSURE not only enjoys a good reputation inside China but also a high international reputation overseas. In addition, SINOSURE has superior sources of information, which is a great advantage in doing debt collection. In the beginning, SINOSURE Debt Collection Division introduced their domestic business only to other ECAs of the Berne Union. Then they extended the service to all foreign organizations with account receivable (A/R) problems in China.

In order to serve the clients in a more cost-efficient manner, SINOSURE's IT Department has developed an OA system and a Biz system specifically designed for the receivable recovery operation. So the Debt Collection Division's daily business is operated on the IT systems. Furthermore, the IT Department is developing a system for debt collection clients to place claims, see case status and make instant communications via the Internet. All these will improve the debt collection services to SINOSURE's clients.

Ever since 2002, SINOSURE Debt Collection Division has provided services to foreign ECAs and hundreds of business clients. SINOSURE is committed to improving its organization. The Debt Collection Division's goal is to become an extension of clients' total A/R solution partner. They will assist all clients to save time, money, and as a result improve revenue and cash flow with their services. ■

(Cai Xiaoxu)



**SINOSURE professionals communicate collection expertise with one of their European lawyers**

enterprise resources and improve working efficiency. Some collection agencies even provide services via the Internet to their clients. The clients have the option to place claims via the Internet, to browse status reports on the Web, and to make real-time communications with collection agencies on the website.

Only in recent years did China's international debt collection service begin to develop. China's financial service sector is still in a fledgling stage. At present, only a few collection agencies can provide professional and qualified receivable recovery services in China. This generates some difficulties for foreign enterprises to outsource their receivable management in China. This inconvenience also stunts foreign companies' business development in China.

As a policy-oriented company, China Export and Credit Insurance Corporation (SINOSURE) provides full financial services regarding export and credit. Besides credit insurance, investment insurance and guarantee, SINOSURE also provides debt collec-

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# Banking On More Openness

**Banks—both domestic and foreign—should profit from greater market flexibility**

**A**s China moves to open itself fully to foreign banks by the end of 2006, many overseas banks have moved in quickly to take advantage of the new opportunities that China agreed to provide in its WTO accession package.

Foreign banks see a pot of gold in the nation's dazzling growth, with abundant opportunities to tap the huge number of "unbanked" Chinese.

Under WTO commitments, China must allow foreign banks into the local currency retail lending market of 1.3 billion consumers by the end of 2006. The Chinese Government is fully supportive of foreign financial institutions playing a bigger role in the banking sector, as it sees foreign participation in local banks and bank restructuring as a win-win option.

Along with domestic banks, foreign and joint venture banks have received licenses and foreign investment in foreign currency was permitted nationwide upon WTO entry. Close ties with local banks will help foreign banks to expand their customer bases quickly and establish niche positions in some market segments such as wealth management, retail, credit card, Internet banking

and derivative transactions.

China, in turn, hopes that the foreign presence will help transfer expertise and improve the corporate governance of Chinese banks.

## Turning up the heat

In China, a major overhaul of the once ailing banking system has turned up the heat on its banks. Ahead of the full opening of China's financial industry by the end of 2006, the government has been actively encouraging investment from overseas and the listing of the big four state-owned banks—Bank of China (BOC), Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB) and Agricultural Bank of China (ABC)—on the stock market.

In 2005, bullish Chinese banks attracted about \$15 billion in investment from banks overseas, particularly the big players such as Bank of America, HSBC Holdings, Citigroup and Royal Bank of Scotland, which made multi-billion dollar commitments as they jostled for global dominance. According to the China Banking Regulatory Commission (CBRC), as of the end of September 2005, 69 banks from 20 countries or regions had established 232 operational entities in China and the assets of foreign banks totaled 660.7 bil-

lion yuan. HSBC has invested more than \$5 billion in China and that long-term commitment is already paying off. In 2005, ties with local banks accounted for more than 70 percent of HSBC's China pre-tax profit. Recently, other foreign banks such as JPMorgan Chase, Barclays Plc and American Express have begun to tap into the market.

## A mammoth sector

On the back of rapid economic growth, the Chinese banking sector has stayed broadly sound and healthy, although challenges remain.

CBRC figures show that total assets of banking institutions in China surged in the first three quarters of 2006. As of the end of September 2006, domestic assets of banking institutions totaled 42.08 trillion yuan, a growth of 17 percent year on year, and accounted for about 90 percent of total financial assets in China. The total assets of state-owned commercial banks amounted to 21.95 trillion yuan (around 52 percent of banking institutions' total assets), up 14.6 percent year on year. Assets of joint stock commercial banks totaled 6.64 trillion yuan, up 20.9 percent; those of city commercial banks were 2.42 trillion yuan, an increase of 28.5 percent; and those of other banking institutions were 11.08 trillion yuan, up 17.4 percent. CBRC reported that there were more than 30,000 institutions in the country's banking industry.

According to the CBRC, non-performing loan (NPL) volumes and ratios for commercial banks continued to decline this year. At the end of the first three quarters of 2006, the outstanding balance of the NPLs



**LINING UP FOR SERVICE:** The growth in China's bank deposits creates huge opportunities for retail banking



XINHUA FINANCE

### NEW FOREIGN NEIGHBORS: As China fully opens its banking sector, foreign banks will play a bigger role

fell to 1.27 trillion yuan. The ratio of NPLs declined to 7.3 percent. Also, the solid growth in loan portfolios and improvement in risk management have contributed much to the decline.

A survey conducted jointly by the People's Bank of China and the National Bureau of Statistics in the first quarter of 2006 showed that 65.2 percent of commercial banks faced increasing loan demand compared with the quarter before, while only 7.6 percent of banks witnessed declining loan demand.

### Merge or acquire for a better position

In China, the banking industry dominated the merger and acquisition scene, as foreign banks continued their march into the mainland. Foreign banks are positioning themselves to tap China's huge growth potential in the areas of credit cards, wealth management and insurance products.

In February, Singapore's state-owned investment fund Temasek Holdings acquired a 5 percent stake in BOC for \$1.52 billion. The Singaporean firm had earlier, in July 2005, invested \$1.47 billion for a 5.1 percent stake in CCB and bought a 4.55 percent stake in China Minsheng Banking Corp. in January 2005. A foreign trio comprising Goldman Sachs, American Express and Allianz paid \$3.78 billion for a 10 percent stake in ICBC in January this year, forming a strategic alliance to assist the Chinese bank in its financial reforms.

### Retail banking opportunities abound

According to a survey by Accenture, a global management consulting, technology service and outsourcing company, banks in

Asia-Pacific are highly optimistic about the future growth prospects of retail banking, with nearly two thirds expecting annual growth in excess of 10 percent over the next three to five years.

Due to the region's vast population, combined with dynamic economic growth and high saving rates, many banks have built up their retail lending portfolios aggressively and are diversifying their revenue streams. With income levels rapidly rising, many new borrowers are able to afford mortgage loans, auto loans and credit cards, and Asian banks are seizing the opportunity. Many have enhanced their services to cater to their retail consumers and have strengthened their infrastructure in terms of technology and their branches, and are learning more about consumer behavior to sharpen their retail banking capabilities.

In China, which is currently attracting the interest of global banks, the growth in bank deposits creates huge opportunities for retail banking, ranging from mortgage lending to bancassurance and wealth management. Mortgage lending and auto loans account for 77 percent and 6 percent, respectively, of consumer loans in China.

According to management consulting firm McKinsey & Co, as incomes rose in the world's fastest-growing major economy, the number of credit cards issued in China surged 13-fold to 40 million in the past two years. To

grab a large slice of this tremendous credit market growth, Chinese banks are waiving annual fees for credit cards, offering high credit limits and gifts. All mainland banks have joined in the race, some working together with foreign banks and finance companies and others opting to fight it out alone.

For banks, grabbing market share is the first step in building their credit card business. New York-based Citigroup and partner Shanghai Pudong Development Bank began offering co-branded credit cards in Shanghai in February 2004 and have since expanded to 10 cities. Shenzhen-based China

Merchants Bank currently holds the largest credit card share, issu-

ing more than 5 million dual-currency credit cards since 2002.

### Outlook

In the coming new year, the Chinese banking sector is expected to face more diversified difficulties and challenges.

Over the long term, domestic banks should fully realize the importance of increasing competitiveness and gradually become involved in insurance, securities and other financial services. New laws will allow business operations of domestic banks, insurance companies and securities companies to be mixed, which can further broaden the scope of banks' business.

This year, company loans remain major income sources of domestic banks, as banks are more willing to lend to small and medium-sized companies. Domestic banks are still paying taxes including a 5 percent business tax and income taxes on loan interest and commission. Gradually reducing and even eliminating these taxes will further promote the development of domestic banks. ■

(Xinhua Finance)

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### Eat Well With Kuo Bee Pen Da

Kuo Bee Pen Da (KBPD) became a hit in Taipei with its fashionable curry dishes immediately after it opened in October 1998, attracting legions of customers, including high-profile politicians, movie stars and gourmets. Today, the KBPD chic is affecting the Chinese mainland. In May this year, KBPD made a sensational debut in Beijing with the opening of a flagship restaurant. It also carved a solid niche in Shanghai, where it launched five restaurants within only two years. In 2005, it not only was named the Most Creative Specialty Restaurant by *Modern Weekly* magazine but also took second place in the 2005 "High in Shanghai" Top 10 Specialty Restaurant List. KBPD restaurants in Nanjing, Tianjin and Shanxi Province also proved hugely successful.

KBPD dishes feature a seamless combination of Chinese cuisine and the best parts of Southeast Asian food and cooking. All ingredients used are prepared by in-house chefs, giving the dishes an exclusive taste that is worth savoring.

Eat well, live well. This is a noble concept that we at KBPD have always held dear to our hearts. We have succeeded in making KBPD synonymous with fashion and elegant food thanks to our customers' recognition and support of this philosophy. We are proud that our tasty, healthy food and considerate service give all our customers a totally different dining experience.



KBPD Flagship Restaurant Beijing

Tel: 86-10-65518606

Add: 4F, 8 Gongti Xilu, Chaoyang District, Beijing

# State of the Market

## Trade and Investment Policies

At the 2007 China Industry Development Report Conference, Fu Ziying, Assistant Minister of Commerce, gave a speech on China's foreign trade and investment policies in promoting the country's international balance of payments.

From 2001 to 2005, China enjoyed an annual foreign trade growth of 24.6 percent, with exports and imports growing at 25 percent and 24 percent respectively. China became a big trading nation with its trade volume rising from sixth in the world in 2001 to third in 2005. The trade volume in the first three quarters of this year reached \$1.27 trillion, up 24.3 percent year on year, of which exports were \$691.2 billion and imports were \$581.4 billion, up 26.5 percent and 21.7 percent, respectively, year on year. It is predicted that the total trade volume in 2006 will amount to \$1.7 trillion, increasing more than 20 percent.

The commodity structure of exports

and imports is improving. In recent years, China's exports of electrical and machinery products and hi-tech products have boasted faster-than-average growth and their proportion among total exports is increasing. In the first three quarters of 2006, exports of electrical and machinery products accounted for 56.2 percent of total exports, while the share of hi-tech exports was 28.3 percent. China became one of the biggest sources of information technology products in the world. At the same time, China's imports of sorely needed energy, raw materials, advanced technologies and key equipment also went up rapidly.

Since China entered the WTO, foreign businesses have been more optimistic about the investment environment in China. Paid-in capital exceeded \$50 billion in 2002 and surpassed \$60 billion in 2004. In 2005, the figure increased to \$60.3 billion, accounting for 6.6 percent of the total global foreign direct investment (FDI). In the first

three quarters of 2006, paid-in capital stood at \$42.6 billion and is expected to reach about \$60 billion at the end of the year.

The service industry has become a new growth point in terms of FDI inflow. While China is honoring its WTO commitments, market opening has been particularly quick in such service sectors as distribution, banking and insurance. Together with the rapid expansion of global outsourcing, FDI in China's service industry is growing fast. In the first three quarters of 2006, FDI in the service industry grew 9.8 percent. In comparison, FDI in the manufacturing industry declined 9.4 percent.

China's outward investment is rapidly expanding. In 2005, the outward direct investment of Chinese non-financial enterprises amounted to \$12.3 billion, 1.2 times the figure a year ago. In the first three quarters of 2006, China's total outward direct investment reached \$14.1 billion, up 1.8 times year on year. It is expected that the figure in 2006 will reach \$16 billion.

However, according to Fu, the international payment imbalance as a

## DCAP-3000 Series Digital Control and Protection System

Tsinghua Holdings' DCAP-3000 Series Digital Control and Protection System is widely adopted in transformer substations. The equipment incorporates four major functions—metering, control, protection and messaging. Its biggest advantage is that it can be attached to or installed near the switching device, making it possible to build smaller transformer substations, helping to save the costs of cables, lessening the workload of substation building, testing and maintenance and improving system reliability. Over 10,000 sets of DCAP-3000 (V2.0) sold since it hit the market have demonstrated excellent performance.

DCAP-3000 (V3.0) is a new generation of a digital control and protection system based on a 32-digit digital signal processor. It can be used to monitor large power generators with a voltage output of over 220 kilovolts and an installed generating capacity of over 300 megawatts. The device is easy to operate with just eight keys and a liquid crystal display on its switching board.



**Tsinghua Holdings Co. Ltd.**

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result of the rising foreign trade surplus in the last two years has aroused extensive concern at home and abroad.

China had a trade surplus of \$102 billion in 2005. In the first three quarters of 2006, the trade surplus already hit \$109.8 billion, and is expected to reach \$140 billion for the whole year. In terms of the international balance of payments, the surplus in the first three quarters was \$240.1 billion, including a current account surplus of \$177.5 billion and a capital and financial account surplus of \$62.6 billion. By the end of September 2006, China's foreign exchange reserves had hit \$987.9 billion.

In explaining the reasons, Fu believed that first the current international payment imbalance is a result of economic globalization.

The international industry transfer has brought a surplus to China. Since the 1990s, economic globalization has deepened, with more specific international division of labor. The international industry transfer has also led to the continuous inflow of foreign investment into China.

Moreover, the current international payment imbalance is closely related to China's development stage.

China is now at the stage of rapid industrialization, which is also a key reason for its trade surplus. Experiences of advanced countries indicate a certain inevitability of trade surplus during periods of rapid industrialization. China is just now going through this stage of fast technological advancement and industry upgrading. The constant expansion of production capacity has not only laid a solid foundation for sustained fast growth of exports, but also played a role in substituting imports to some extent. Meanwhile, for various reasons, China is suffering from a relatively low consumption demand, which also gives rise to the trade surplus.

Another important reason for the capital account surplus is that China is still at the preliminary stage in outward investment. China's balance sheet of international payments shows that the capital and financial account surplus is mainly attributable to the small number of Chinese outward investments, rather than a big FDI inflow. At present, Chinese enterprises are not strong

enough to make large investments abroad. Although China's outward investment is growing fast, the investment volume is only about \$10 billion every year, less than 2 percent of the overall global cross-border investment, much lower than the figure in developed countries.

Fu believed that China's international payment imbalance may persist for a long time.

Owing to the huge differences in the economic structure and development level of different countries, as well as their comparative advantages, it is hard to keep a balance of incomes and expenditures in international economic exchanges. Therefore the international payment imbalance has become a normal state of economic operation.

Judging by the trend of world economic development, economic globalization will continue, and the world economic structure will not undergo fundamental changes. Therefore the global economic imbalance cannot be redressed in the short run. The international division of labor will be further intensified, which means China will continue to be a world processing and manufacturing base for a long period of time, which will naturally result in the long-term trade surplus of the country.

Further, China's problem of international payment imbalance should be settled in the course of development. To realize the basic balance of international payments is one of the macro-control targets. However measures to redress the international payment imbalance should not run counter to promoting economic growth, increasing employment opportunities and keeping prices stable.

According to Fu, balanced and coordinated development is the long-term goal of China's foreign trade and economic policy, including: to promote the international balance of payments through macro-control policies; to promote trade liberalization and facilitation in line with economic globalization; to expedite the transformation of the foreign trade growth mode so as to improve the efficiency of trade growth; and to attach equal importance to the strategies of "introducing FDI" and "going global" policies to maintain coordinated progress in FDI inflow and outward investment.

# BEIJING REVIEW



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# Should Filial Piety Be a Gauge Or Test For Official Promotion?

**O**pinions may differ on exactly what personal qualities a government official should possess for advancement, but doubts have been aroused by the suggestion that filial piety should be one of the criteria.

It was reported in mid-November that Jinchang City, in northwest China's Gansu Province, has adopted a new promotion system: Officials who do not show filial piety to their parents or care for their spouses and children will be denied the chance for promotion.

In accordance with the new measure, 12 aspects in officials' personal life will be examined, including relations with neighbors, family relationships and children's education.

While it's recognized that no promotion system is able to produce perfect officials, by adopting the new regulation, the local government has shown its desire to improve the present practice. Filial piety is not the only criterion, but anyone who does not show proven respect for parents cannot expect advancement.

Filial piety is a traditional virtue deeply rooted in the Chinese nation and the Chinese have always used it as a means of judging a person's moral level. One who does not treat his/her parents well is unlikely to be a good official—this is a common logic.

However, to link filial piety to the promotion system is far from achieving a common consensus in Chinese society. Some critics argue that those who do not show enough filial piety are not necessarily bad officials. Actually, throughout history, there are examples of excellent officials who always failed to do enough for their own families, so a good official is not necessarily a good husband/wife or a good son/daughter. Should they then be fired?

And also, some believe that the criteria for judging official performance should be assessed on the appropriate government standards for good administration, while a system based on filial piety falls into the category of the official's private life.

## Filial piety comes first

**Gan Chunsong** (*Southern Metro Weekly*): Quite a few people doubt the new promotion system can improve officials' moral level. Some even argue that filial piety is an official's private affair which the government should not interfere in by relating it to the promotion system.

In Western countries, official morality has always been greatly stressed and is used as an important criterion to judge whether someone is qualified for a position or not. Take the U.S. presidential election as an example. Once one decides to run for the presidency, his/her private life becomes an open book to be severely scrutinized by the media, rivals and critics; certainly, any deficiency in his/her personality and morality at this time will prove fatal.

The Confucian political concept proposes such an ideal society where all ethical principles are strictly followed. Whether this ideal can be achieved or not depends to a large extent on the personal integrity and morality of the officials. In ancient China, the official promotion system always upheld the idea that only those of high moral standards could hold office.

When a well-developed promotion system is yet to be set up, local governments in some areas have begun to check the background of officials from various aspects, including their morals. These measures fully reflect China's traditional values and thus are a helpful exploration for a more rational promotion system.

**Li Xiurong** ([www.xinhuanet.com](http://www.xinhuanet.com)): To require government officials to be filial does not mean that they have to always accompany their parents, but it certainly targets extreme cases such as maltreatment or abandonment of the elderly. If an official is too busy to spend much time with his/her parents, this does not show any obvious lack of filial piety. Today, it does happen that old parents are abused, or even abandoned, and even some government officials are found to have behaved in this way. If an official treats his/her own parents badly, it's impossible for him/her to treat ordinary people well.

It's a pity that in the real life, we do see some government officials possessing little morality. For these officials, the force of morality is too weak to regulate their practices and rigid rules seem inevitable.

Actually, the filial piety-based promotion system covers not only this aspect but also touches on various aspects of ethics, such as being kind to one's spouse and being honest and faithful. Any moral defect exhibited by government officials may lead to serious social consequences. Hence, morality is not a small issue for government officials. There must be a rigid system to tell them what to do and what not to do in terms of morality.

**Xi Xuchu** ([www.eastday.com](http://www.eastday.com)): Filial piety seems only related to one's family life, but how a person acts within the family can always best reflect his/her personality. Indeed, a good person is not necessarily a good official, but a good official must be a good person of high moral standards. We cannot expect one who is unkind to his/her own parents to be a good official who can serve the people wholeheartedly. Therefore, for government officials, filial piety is by no means something to be confined within the family, but is a mirror reflecting one's true personality.

The traditional promotion system concentrates on an official's performance, but seldom touches what they do off duty. While this part of an official's



life is excluded from the performance check, the end result cannot be considered to be all-inclusive. Extensive knowledge of an official's personality in all situations will not only help the government select the qualified personnel it needs, but, more importantly, the officials will become good examples who can encourage the people to act in a moral way.

**Hu Zongxiu (Beijing Youth Daily):** What a good criterion! By taking into consideration "filial piety," the new promotion system is actually trying to promote overall moral standards in society. It's true that work performance matters the most in checking up on an official, but filial piety is also the basic moral code that everyone is supposed to follow, and government officials in particular. The new rule is a confirmation of such traditional values as filial piety, which will help to promote traditional virtues to a large extent.

#### Impractical rule is helpless

**Xiu Yangfeng (hlj.rednet.com):** For thousands of years, the Chinese have had high expectations on their officials, who are supposed to be not only capable in their work but, even more importantly, live up to a high moral standard. The people can forgive an official who lacks capability, but if there are deficiencies in personality or morality, such

as maltreating parents, he/she will be severely criticized by the whole society.

The people's call for "rule of virtue" and for officials of both great capabilities and virtue is understandable. However, no man is perfect. "To replace laws with moral standards" is a big problem in China's traditional political culture, which has seriously hampered the improvement of the legal framework in the country. If we carry on this practice, more problems will arise.

The most effective way to select and promote officials is to follow existing promotion rules that cover almost all the factors that can determine if a candidate is qualified or not. The essence of these rules is the spirit of the rule of law. Laws and regulations have defined explicitly officials' powers and responsibilities. If they can live up to these rules, they will enjoy corresponding benefits; if not, the rules provide for their punishment. As for private affairs, the government should not interfere. It should encourage officials to be filial sons and faithful husbands, but never force them to do so. Once the administrative power has butted into individual affairs, the result may be totally opposite to what we expect.

A modern government must refrain from intertwining government affairs with individual morality. If the moral standards are too high, heavily pressured officials may have to pretend to be what they actually are not.

**Sun Huamin (Shanxi Evening News):** Filial piety is an obscure concept, but to be an official is a tangible job, so it's not easy to judge the tangible with the obscure. It's undeniable that filial piety is one of the pillars of thousands of years of Chinese culture. However, people in different historical periods have different understandings of filial piety. In ancient times, it was written into law that "of the three cardinal offenses against filial piety, having no male heir is the greatest." If we adhere to this tradition, then a single person cannot be an official and those who have no sons cannot either!

Confucian ethics pay much attention to filial piety in the process of development, heavily influencing Chinese culture. As time goes by, it seems unwise to bring filial

piety into government work, as it will give birth to such problems as patriarchy and nepotism, which goes against the spirit of equality in modern society.

**Zhi Fan (Jiefang Daily):** As an old Chinese saying goes: "Filial piety is above all over virtues." How can we expect one who does not respect his/her parents to devote him/herself to the good of the country? The problem of using filial piety as a criterion to judge an official is that this standard is unreliable. Some argue that corrupt officials can

always be kind to their families and even connive at nepotism, while clean officials are always strict with their family members and care more about their work than about family life.

By using filial piety as a criterion to check official performance, it is hoped that those who do not do well in this regard will abandon their bad habits and then improve the whole moral level of officialdom. However, if one believes that filial piety is an obligation, he/she will always act well with or without any rigid rule and never will try to use it as a tool to harvest benefits. As for those who have no sense of filial piety, the new promotion rule can only force them to pretend to be good sons/daughters while actually they are still indifferent to their parents. What can we expect from the new rule then?

**Ma Feidao (Lanzhou Evening News):** "To respect the elderly and love the young" is a citizen's obligation everyone is expected to fulfill, especially government officials. In my opinion, it's unnecessary to single out "filial piety" as a special criterion to assess official performance. Government officials are supposed to act better in terms of personality and morality than ordinary folk. To show filial piety is the basic moral code for everyone. Is it right for the government to hold such a low expectation of officials? Shouldn't it demand that officials act in a more responsible way than just to show filial piety?



# No Foreigners Here

By TOM CARTER

**A**nyone who has spent time in the People's Republic of China is obviously aware of the sheer number of hotels and sundry boardinghouses located in even the smallest city.

What patronizing Western travelers frequently encounter at the front desk, however, is a sudden expulsion by the proprietor conveying in Chinese that NO FOREIGNERS ARE ALLOWED!

What would compel a vacant guesthouse to turn away a paying guest into the night?

The answer is found in a long-standing police statute that prohibits the majority of these establishments from accepting non-Chinese guests or risk the penalty of a fine; only guests with Chinese identification may patron an independently run boardinghouse, called luguan.

Considering no Westerner could meet such a requirement, what this restrictive policy translates into is a concerted effort to urge foreign travelers to stay at more expensive, government-designated hotels.

Following the nation's accession into the World Trade Organization, metropolitan cities such as Beijing and Shanghai, along with the country's most popular holiday destinations, have eased their lodging restrictions to accommodate greater numbers of overseas tourists. But anyone intent on regional travel will be hard pressed to locate an appealing choice of legitimate budget accommodations outside the major cities.

Indeed, having passed through the most remote parts of China on my extensive journey across the country, this writer recalls spending many an uncomfortable night on a Chinese sidewalk or train station floor after being turned away from its only affordable lodging.

A strict budget prohibits me from fre-



**NO WAY IN:** Foreign travelers are still not allowed to stay in budget boardinghouses like these in rural China

quenting any hotel with a room rate higher than 30 yuan, which dramatically reduces my chances of ever finding legitimate accommodations. One night in a three-star hotel is equivalent to a week's worth of frugal travel.

Lest one draw comparisons to myself with a stray dog, I might add that I'm not always so submissively destitute.

I vividly recall a recent experience in Yinchuan, capital of Ningxia Hui Autonomous Region in the northern interior. With only two accommodations to choose from in the immediate vicinity—an overpriced luxury tower or a simple guesthouse with dormitory-style rooms and a shared water closet—I of course sought the latter. As it was, the unapologetic front desk clerk would not admit me.

I looked and did not find the requisite

posted official notice stating that foreigners were unwelcome; perhaps she was just intimidated by any interaction with a non-Chinese. I put up a good argument until a police officer was called to intervene. The officer summarily sided with the hotel.

In an act of good diplomacy, the kindly police officer not only escorted me to another hotel, but also paid my tab.

Grateful as I was, I pressed the police officer for an explanation of this policy of excluding overseas visitors from certain hotels. His only explanation was "Luguan are not safe for foreigners."

There may be some truth to this. The average boardinghouse, located in the less appealing neighborhoods that invariably surround transportation hubs, are dimly lit, unsanitary and inadequately constructed of mere particle-board. Nor are the typical luguan guests always the most upstanding of character.

Revenue generated by China's hospitality industry is annually estimated at 300 billion yuan, accounting for 2.5 percent of the country's burgeoning gross domestic product. The Beijing Olympics in 2008 and Shanghai's World Expo in 2010 are expected to make China the largest global tourism market in the next decade.

With between 50-100 million inbound tourists every year, those on business or of the affluent leisure set will be happy to spend 400 yuan and up per night on a branded mid-market hotel, which is still considerably less than in the West.

China's National Tourism Administration and adjunct agencies have heretofore been more concerned with revPAR (revenue per available room) growth than the ethics of forcing someone to either spend ridiculous sums of money for a bed or sleep in the streets.

Yet ultimately the administration will need to address the equally impressive number of budget-conscious travelers in the People's Republic—students and independent backpackers with a limited travel allowance intended to stretch from the Yellow Sea to the Himalayas.

Until the police lifts the overprotective policy of prohibiting them from patronizing the same affordable accommodations that Chinese nationals are entitled to, foreigners in China will be dissuaded from provincial travel upon the simple realization that there is nowhere affordably priced for them to sleep. ■

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