

BEIJING REVIEW

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PASSING ON THE SACRED FLAME

Torch relay spreads Olympic
ideals across the globe



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Light the Passion, Share The Dream

By ZHANG ZHIPING

After six days of traveling across Greece, March 31 saw the Olympic flame finally land on Chinese soil, symbolizing the successful handover of the holy flame from one ancient civilization to another. The Olympic flame from its home in Heraeum, Greece, was used to ignite a bronze cauldron at Tiananmen Square, marking the start of the 137,000-km trip for the Olympic torch.

The flame, symbolizing peace, friendship and hope, is the incarnation of Olympic ideals and spirit. Having transcended divisions in politics, religions and cultures, the flame shows the human race's pursuit for courage and all that is good in people. Since the birth of the modern Olympics, the ignition of the sacred flame has on every occasion stimulated people's passion for the Olympic dream, inspiring the wish for peace, friendship and progress throughout the world.

The theme of this torch relay is "a trip of harmony." This theme conforms to the Olympic spirit. Through sport, we can promote harmony and cooperation among all peoples and build a peaceful society with dignity for all. This is an in-depth explanation of the theme of Beijing Olympic Games—"one world, one dream."

In the coming months, as a symbol of the Chinese people's pursuit of the Olympic spirit, along the ancient Silk Road both on land and sea, the Olympic torch will take a round-the-world trip, covering 21 cities on the five continents and 113 Chinese cities and towns across 31 provinces, municipalities and autonomous regions. In the process, the torch will also be taken to the top of Mount Qomolangma (Mount Everest)—the highest point on the Earth. A record total of 21,000 torchbearers from home and abroad will jointly take part in the longest and most difficult torch relay in Olympic history. As the 29th Olympic Games torch relay logo says, the Beijing Olympics will "light the passion and share the dream" and through the handover of the torch, spread the Olympic spirit of understanding, friendship, solidarity and fair competition throughout the world.

This is a critical moment in the process of preparing for the upcoming Olympics. On August 8, the Beijing Olympics will stage its opening ceremony. The start of the Olympic torch relay signifies the approach of this exciting moment.

On March 31, Chinese President Hu Jintao lit the flame at the welcome ceremony, announcing the launch of the relay of the Beijing Olympic torch, extending to the rest of the world the wishes and commitment of the Chinese Government and the Chinese people: China welcomes all those who are interested in the Olympic Games and will try to present to the whole world an excellent sporting event. ■

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Govt Gets New Spokesperson



The Chinese Government has named veteran journalist **Wang Chen** as its chief spokesperson. Wang replaces Cai Wu as minister of the Information Office of the State Council. Cai was made minister of culture at the First Session of the 11th National People's Congress in March.

Wang, 57, spent 26 years in journalism at *Guangming Daily*, a Beijing-based publication mainly catering for the country's intellectuals. In August 2001, he was appointed editor in chief of *People's Daily*, China's largest national newspaper, after serving 14 months as vice minister of the Publicity Department

of the Central Committee of the Communist Party of China. Wang was promoted to publisher of *People's Daily* in November 2002.

Former Shanghai Party Chief on Trial



Chen Liangyu, former secretary of the Shanghai Municipal Committee of the Communist Party of China (CPC), made his first court appearance on corruption charges in Tianjin on March 25.

The 62-year-old Chen was accused of accepting bribes of 2.39 million yuan (\$340,000) and helping two local businesses embezzle 2 billion yuan (nearly \$300 million) from the city's social security fund. He was also found guilty of illegal land transactions carried out by his younger brother.

Chen, a member of the Political Bureau of the CPC Central Committee since November

2002, was sacked from his Party posts for corruption investigation in September 2006, after the misuse of Shanghai's social security fund was exposed. Among the 25 senior government officials and state-owned company executives involved in the scandal were several of Chen's longtime aides. According to a recent report of the National Audit Office, 33.9 billion yuan (\$4.8 billion) had been misappropriated from the fund, with most of the money going to real estate projects.

Chen, who was expelled from the CPC in July 2007, is the highest-ranking official to be prosecuted in China in more than a decade.

Big Reprieve for ATM Thief



One of China's most controversial criminal defendants in recent years, **Xu Ting** got handed a major reprieve on March 31, when the Intermediate People's Court of Guangzhou, Guangdong Province, slashed his jail term from life to five years.

Last November, Xu, a 24-year-old migrant worker from north China's Shanxi Province who withdrew 175,000 yuan (\$24,400 then) from a faulty ATM in Guangzhou in April 2006, was convicted of grand larceny by the same court and

sentenced to life imprisonment.

The unexpected judgment had sparked heated public debate on whether his actions constituted a crime and what penalty he deserved. The Guangzhou court retried Xu's case in February after a higher court concluded that the life sentence was not supported by hard evidence.

The latest ruling was based on the fact that Xu's crime was not premeditated and involved no violence, the court explained.

Xu said he would not appeal after hearing the sentence.

“Please set your mind at rest because China has an abundant supply of rice.”

Chinese Premier Wen Jiabao, squashing fears that the recent 30-percent jump in international rice prices would have an impact on China's food supply, when talking to reporters on the sidelines of the Greater Mekong River Subregion Summit in Vientiane, Laos. Wen said that China has stockpiled about 40-50 million tons of rice

“I am not suggesting that more regulation is the answer, or even that more effective regulation can prevent the periods of financial market stress that seem to occur every five to 10 years.”

U.S. Treasury Secretary Henry Paulson, a 30-year Wall Street veteran, after unveiling on March 31 the most extensive overhaul of the U.S. financial regulatory system since the Great Depression

“Earth Hour shows that everyday people are prepared to pull together to find a solution to climate change. It can be done.”

James Leape of WWF International, organizer of the “Earth Hour” campaign that saw up to 30 million people across the world turning off their lights for 60 minutes on March 29 to show concern for global warming

“Anyone can stay at hotels as of midnight last night, as long as they have ID and the money to pay for a room.”

A night porter at the Chateau Miramar Hotel in west Havana. Cuba has lifted a ban on its nationals staying at hotels reserved exclusively for foreigners, which is the latest step to liberalize the state under new President Raul Castro, who has ended bans on Cubans buying computers, DVD players and cellular telephones

“It is a matter of considerable disappointment, it has dented national pride.”

British Aviation Minister Jim Fitzpatrick, criticizing travel chaos at London Heathrow Airport's newly opened Terminal 5 after the \$9-billion complex's state-of-the-art luggage-handling system failed to work as expected



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OPINION

Making Educated Decisions

According to a recent survey by Horizon Research Consultancy Group, 40 percent of the surveyed people believe the returns of education are unsatisfactory, given high tuition fees, while only 16 percent of the respondents think education is worth the tuition fees.

In 2006, a report issued by the Horizon Group indicated that education spending was the primary reason for household deficit spending. Today, the situation seems worse: The higher education background people have, the less they believe they have spent valuable money on their education. What nurtures this pessimism?

Unequal distribution of educational resources force some students to pay high fees for being admitted into leading schools, so that they can have high-quality education, which is a precondition for them to enter prestigious universities. Meanwhile, when universities' enrollment expansion makes employment increasingly difficult, more college students choose to go to graduate schools, which cost them more money.

Due to oversupplies in the labor market, however, new graduates are currently paid the same or lower salaries than less-educated colleagues. Gradually, they begin to feel their input in education worthless.

A mounting disbelief in the value of education is by no means positive for the nation. To reverse this trend, deficiencies in education resource distribution throughout the country, as well as in the employment and salary system, must be corrected.

China Youth Daily

A Moral Dilemma

According to a recent sample survey in Shanghai, when asked whether they would give their seats to the old and weak on buses, 70 percent of the surveyed pupils nodded, while one third of the senior middle school students said they were not sure and almost one sixth decided they would not give up their seats.

Why does it happen that the students' ethical awareness lessens when they are actually becoming more psychologically mature?

Children are more likely to take in what adults tell about the virtue and ethics, but when they find out in real life good deeds often incur personal losses instead of honor, they will begin to doubt the code of conduct imposed on them by teachers and parents.

The survey result is actually a warning to currently deteriorating moral standards across Chinese society. To reverse this worrisome trend among the youngsters, who are to be the pillars of future China, there must be an effective mechanism that ensures virtue is honored and that bad deeds are punished. The improvement of the young students' moral standards actually depends on good examples of adults.

Oriental Morning Post

Low-emission Cars Needed

While energy-saving and environment-friendly vehicles, including low-emission cars, are encouraged by state policies, the auto market seems to be moving in the opposite direction. Compared with 2006, the

share of low-emission cars in the auto market in 2007 dropped by 3.7 percent and the sales declined by 30.9 percent year on year.

At the beginning of 2006, six state ministries jointly promulgated a circular, demanding restrictions on low-emission cars to be canceled, but many cities have turned a blind eye to this document. In some cities, local governments have issued policies that prevent low-emission cars from running on freeways and elevated roads, and low-emission cars are never taken into consideration when local governments plan to purchase business vehicles.

Besides, although the government is encouraging the use of low-emission cars, supporting measures and policies fail to follow. For example, the fuel tax is not yet imposed, low-emission car owners can't enjoy any tax exemption and low-emission car makers are not supported by preferential tax policies. As a result, the public feel no urgency to buy low-emission cars and manufacturers lose interest in the research and development of such cars. All these finally lead to the plight now facing low-emission cars.

Guangzhou Daily

VIPs at What Cost?

To woo wealthy customers, many banks in China have dedicated counters serving VIPs. In some banks, half of the counters are assigned for this purpose.

It's all right for banks to provide efficient service to their high-end customers. However, without scaling up the total facilities and staff, better service to VIPs often comes at the sacrifice of service quality to ordinary customers.

Special treatment to VIPs has extended the waiting time of the majority of customers. From the legal perspective, a bank is obligated to provide fast and good service to customers and personnel shortage is by no means a plausible excuse for inferior service for ordinary clients.

The fundamental problem is rooted in the banks' business philosophy. Some banks are still thinking as monopolists, having not put their customers first. Many surveys show that a number of people are planning to turn to foreign banks, which somewhat proves the general public's dissatisfaction with the service provided by domestic banks. This is an alarm for those domestic banks that treat their ordinary customers arrogantly. In a globalized economy full of competition, banks should realize that public dissatisfaction will result in economic losses and thus the discriminative treatment toward ordinary customers should come to an end.

Sanqin Metropolis Daily



NO GREEN MACHINES: Despite their environment-friendly nature, low-emission cars are rarely seen on Chinese roads



Who Put That Bridge There?

A barge collides with Jintang Bridge near Ningbo City, Zhejiang Province, resulting in the collapse of a 60-meter section of the unfinished structure at midnight on March 27. Four of the 20 sailors on board the barge are still missing, according to rescuers.

Local Ningbo media reported the 7,000-ton vessel, which was traveling north from Ningbo Port, may have taken the wrong route causing it to smash into the lower arch of the bridge. A team of experts has been dispatched to investigate the cause of the accident.

The bridge, with a designed length of 26.54 km, is China's third longest cross-sea bridge. It is scheduled to open to traffic in 2009.

SOCIETY

Smoking Guns

Evidence shows that the March 14 Lhasa violence was part of the “Tibetan People’s Uprising Movement” plotted by the Dalai Lama clique, according to Wu Heping, Spokesman for the Ministry of Public Security.

Wu told a press conference on April 1 that the “movement” aimed to create a crisis in China by staging coordinated sabotage activities in Tibet. He said police had found weapons in some temples in Tibet and other provinces after receiving reports of monks and local people, including 178 guns, 13,013 bullets, 359 swords, 3.5 tons of explosives, 19,360 detonators and two hand grenades.

He said that police have captured the primary suspects who allegedly organized, planned and participated in the violence on March 14 in Tibet Autonomous Region’s capital.

Smoking Ban

The Chinese capital will ban smoking in most public places starting from May 1, a move to meet China’s pledge of a smoke-free Olympics.

Many Chinese cities already have limited restrictions in place, but Beijing will be the first to ban smoking in all restaurants and offices.

Beijing has had some smoking restrictions since 1996, when the municipal government prohibited lighting up in large public venues such as schools, sports arenas and movie theaters.

The new rules expand the scope to include restaurants, bars, Internet cafes, hotels, offices, holiday resorts and all indoor areas of medical facilities.

Resolution of Shanghai

The Shanghai Municipal Government should strengthen self-discipline to build itself

into one of the most transparent and efficient governments in the country, city Mayor Han Zheng said on March 31.

The pledge came as Han presided over the first full meeting of the new city government since it was installed this January.

“Officials of the new government should learn new things and keep improving themselves. The whole government team should be strictly managed and disciplined rigidly,” Han said.

The city government this year will focus on 14 city-level social investigation programs and 22 top government work deeds, including implementing energy saving and emission reduction strategies, perfecting the city’s social welfare system and strengthening real estate market control, Han said.

Wisdom of Masses

New green inventions collected in March during the Month of Energy Preservation and Pollution Reduction, designed by the All-China Federation of Trade Unions, are to be promoted nationwide.

Of the selected 100 inventions, most come from grassroots workers. They include

an invention designed to prevent the leakage of petroleum and natural gas during transportation. The cap gadget created by Zou Jinhai, a worker at Beijing Yanshan Petrochemical Co., could collect over 80 percent of leaked petroleum and natural gas.

Condom Promotion Campaign

Beijing is to make condoms more accessible in its hotels, nightclubs and construction sites, as a new move of the municipal government to prevent sexually transmitted diseases.

Guesthouses, hotels and scenic resorts are all required to put condoms in toilets, and nightclubs, bathing centers and major construction sites should have condom-selling vendors installed. The condoms shall not be used as evidence of prostitution, according to the meeting.

Beijing Municipal AIDS Prevention and Control Working Committee, the organization that launched the campaign, has urged local public security bureaus and health bodies to organize training for hotel managers on the promotion of condom use.



ZHANG XU

TRADITIONAL FESTIVAL

Primary students in Beijing learn folklore rituals for Tomb-Sweeping Day, which falls on April 4 this year, at the Altar of the God of Agriculture in Beijing. The rituals include offering sacrifices to the God of Agriculture and planting grain to pray for harvest



ZHOU KE

FUWA AND ME

A fifth-grade student in Nanchang, capital city of Jiangxi Province, exhibits a paper-cutting she made during art class, featuring the image of Beibei, one of the five mascots of the Beijing Olympic Games



ZHANG GUOJUN

FREE HISTORY

Museums in Fuzhou, capital city of southern Fujian Province, attracted a larger-than-usual audience on April 1, the first day they opened to the public free of charge

ECONOMY

Optimistic Share Buyers

More than 60 percent of Chinese investors expect stock prices to rise despite the depressed market since January, according to a survey released by China's securities regulator on April 2.

Share prices fell on April 2 to a 12-month low of 3,329.16 points. Compared with the last trading day of 2007, prices tumbled nearly 37 percent.

Despite this, investors, who were mostly male, well educated and young to early middle age, remained optimistic.

Male investors made up more than 66 percent of the 18,095 respondents who finished the questionnaire designed by China Securities Investor Protection Fund and the China Securities Regulatory Commission's Investor Education office. More than 83 percent of the respondents had junior college diplomas or above.

Caution Warning to Banks

Banks in Shanghai have been told to exercise caution on mortgage lending to help combat speculation and stabilize property prices.

Shanghai's banking regulator recently said all local banks must abide by strict mortgage lending policies and spot checks will be conducted.

The statement is a response to recent media reports that domestic banks were lowering lending standards to second-home buyers to boost mortgages, which bring a large share of bank profits.

The central bank and the China Banking Regulatory Commission raised the requirement for mortgage deposits last year for second-home buyers to at least 40 percent, with a 10-percent premium on the interest rate.

Steel in Short Supply

China's steel prices will continue to stay high this year, pushed up by booming demand and rising costs, say domestic industry experts.

"Steel prices still have room to expand, and the per-ton price will break the \$1,000 threshold in the near future," the March 31 issue of *China Securities Journal* quoted Zhou Xizeng, a leading analyst with the Beijing-based CITIC Securities as saying.

A supply shortage is expected in the domestic market as newly developed production capacity cannot keep up with the government's steps to eliminate outdated capacity.

This will further widen the gap between demand and supply as reconstruction after the severe winter weather and rising investment in real estate requires more steel.

Oil Production Expanded

China processed more crude oil in the first two months to ease supply shortages plaguing some areas.

China refined 55.81 million tons of crude oil in the first two months, up 7.4 percent from the same period of 2007, the National Development and Reform Commission (NDRC) said at the end of March.

Output of gasoline and diesel surged 4.1 percent and 12.5 percent, respectively. Natural gas production expanded by 20.3 percent.

According to the NDRC, the country's crude oil output hit 30.78 million tons in the January-February period, up 1.2 percent year on year, while imports shot up 9.5 percent to 28.23 million tons.

Cheaper Housing on the Way

Land prices will rise more slowly this year than in 2007 as measures to curb property prices start working, a report from the

China Land Surveying and Planning Institute (CLSPI) has forecast.

According to the report of the institute under the Ministry of Land and Resources, land prices in major cities in 2007 rose 13.37 percent over the previous year and the year-on-year growth rate was more than double that recorded in 2006.

The State Council, or cabinet, issued a circular on land conservation at the beginning of this year that aimed to improve the efficiency of land use and curb speculation. The government also vowed to increase the supply of affordable housing. These measures would help stabilize prices, the CLSPI report said.



LIU DAWEI

NEW WIRELESS ERA

Ding Mei, a Guangzhou citizen, shows off her cellphone subscribed to third-generation (3G) mobile phone services based on the Chinese standard, known as TD-SCDMA, which started commercial trials in eight cities in April



SHI JIANJIAN

SMILE PROGRAM

Smile Train, an international charity that provides free cleft surgery, has started its program in western Gansu Province. The charity will provide free cleft palate treatment to those meeting their conditions by the end of this year



WANG XIANG

HIGH TECH EXPO

The four-day Sixth China International Defense Electronics Exhibition opens in Beijing Exhibition Center on April 1. The event attracted around 300 companies from 13 countries and regions

1. POLAND

Residents of Slupsk protest the planned U.S. anti-missile base in nearby Redzikowo. The Polish Government is in the process of negotiating the installment of the U.S. anti-missile shield there



2. BRAZIL

Parents wait at a hospital in downtown Rio de Janeiro on March 25 for doctors to see their children who have symptoms of dengue fever. A dengue fever outbreak in the Brazilian state has claimed 48 lives so far this year



3. ANTARCTICA

A photo released by the British Antarctic Survey on March 25 shows a chunk of ice beginning to break off the 1,500-year-old Antarctic ice shelf. Scientists say global warming is the cause



4. JAPAN

A woman admires cherry blossoms in full bloom alongside a river in Tokyo on March 28. Millions of Japanese go to see the cherry blossoms every spring as a national pastime and cultural event

5. THE PHILIPPINES

Workers from the Philippines' rice-importing agency bag imported rice from Viet Nam on April 1 in Manila. President Gloria Arroyo has promised to import more rice from neighboring countries to guarantee stocks of the staple grain amid a supply crunch that could cause sharp price increases

6. ANGOLA

Angolan rescue workers and police officers clear debris from the headquarters of the nation's criminal investigation department, which collapsed on March 29. The accident injured at least 80 people



XINHUA/AFIP



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RED-CARPET WELCOME: Lao Prime Minister Bouasone Bouphavanh (left) welcomes visiting Chinese Premier Wen Jiabao in Vientiane on March 30

HUANG JING WEN



A RIVER OF HOPE

Countries along the Mekong River get further connected to rev up the subregion's economy

By YAN WEI

Two weeks after being reappointed, Premier Wen Jiabao went to Laos on March 29-31 on his first overseas mission during his second term and attended the Third Greater Mekong Subregion (GMS) Summit in Vientiane.

Under the theme of "enhancing competitiveness through greater connectivity," leaders of the six countries along the Mekong River recognized the substantial progress of GMS cooperation over the past years. In a joint declaration, they also charted its future course by endorsing a five-year action plan for 2008-12 aimed at spurring growth, reducing poverty, promoting social development and enhancing environmental protection.

Before the summit, Wen paid a brief working visit to Laos where he met his Lao counterpart Bouasone Bouphavanh and Lao President Choummaly Saygnasone. The two nations signed seven agreements on cooperation in the fields of economy, technology, energy and e-government.

Wen attended the GMS Summit on March 31, the day when a grand ceremony was held in Beijing to welcome the Olympic flame and officially start the global Olympic torch relay. This coincidence in a sense testified to the importance China attaches to GMS cooperation, said Shen Shishun, Director of the Department for Asia-Pacific Security and Cooperation at the China Institute of International Studies. "Because all leaders showed great willingness to work together

at the summit, it will surely help step up the GMS cooperative process," he said.

With China's participation, GMS cooperation has borne abundant fruit. As China and Southeast Asian nations forge closer ties against the backdrop of regional integration, the GMS mechanism is poised to deliver benefits to all countries in the subregion, Chinese scholars and diplomats said.

The GMS mechanism is one of the best developed cooperative mechanisms between China and the countries of the Association of Southeast Asian Nations (ASEAN), Shen said. In the context of regional integration and economic globalization, China has gained an advantage over the West in cooperating with ASEAN countries, he said.

China has taken this opportunity to expand its cooperation with ASEAN countries in search of new areas of economic growth, Shen said. Stronger cooperation between China and ASEAN countries has contributed to the development of its southern provinces, such as Guangdong, Guangxi, Hainan and Fujian. Unlike Northeast Asia where regional integration has stagnated because of political barriers, Southeast Asian countries have benefited from their cooperation with China over the past years. As they have come to realize that China pursues mutual benefit and win-win progress in the region, they have been showing an ever stronger desire to work with China, Shen said.

GMS cooperation is a telling example of South-South cooperation. It emphasizes pragmatic cooperation in infrastructure de-

velopment, including the building of roads, railroads, electricity facilities and an information superhighway and the exchanging of development experiences, Shen said.

In addition to encouraging private investment, the governments of the GMS countries have taken greater initiatives to promote GMS cooperation, as evidenced by Wen's proposals at the Vientiane summit, he said.

Wen made a four-point proposal to help enhance the GMS countries' competitiveness:

- Treat each other with sincerity and enhance consultation and mutual trust;
- Step up the development of transportation, power and communications and connect the infrastructure of various countries to support the efforts to upgrade cooperation in the subregion;
- Promote both subregional cooperation and domestic development of individual countries and fully exploit the resources both in and outside the subregion so as to advance cooperation in a well-coordinated manner;
- Strike a balance between economic development and environmental protection, develop resources in a rational way, and place high priority on environmental protection and energy conservation and pollution control so as to ensure the sustainable development of GMS countries' cooperation.

Common benefits

China always sees great value in GMS cooperation, said He Yafei, Assistant Minister of Foreign Affairs, at a press brief-



HUANG JING WEN

HAND IN HAND: Government leaders from the six countries, through which the Mekong River flows, and the president of the Asian Development Bank join hands at the Third GMS Summit in Vientiane on March 31. From left to right are Vietnamese Prime Minister Nguyen Tan Dung, Thai Prime Minister Samak Sundaravej, Myanmar's Prime Minister Thein Sein, Lao Prime Minister Bouasone Bouphavanh, Chinese Premier Wen Jiabao, Cambodian Prime Minister Hun Sen and President of the Asian Development Bank Haruhiko Kuroda

ing shortly before Wen's trip. It has been an active "advocate, constructor and aid provider" for this program, especially in its major fields such as transportation, energy and telecommunications, he said.

According to an official report on China's participation in GMS cooperation, the country's trade volume with Cambodia was \$933 million in 2007, an increase of almost 194 percent over 2006. Its trade with Laos that year reached \$249 million, up 218.4 percent from 2006. Its trade with Myanmar was \$2.06 billion, a nearly 180 percent increase over the previous year; with Thailand, \$34.64 billion for a nearly 200 percent increase from 2006; and with Viet Nam,

\$15.12 billion for a 224.2-percent increase over the previous year.

The report, jointly issued in late March by the National Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Finance, points out that frequent high-level visits, increasing personnel travels, closer trade and economic connections, more active social and cultural exchanges, and expanding and deepening cooperation in various fields between China and other GMS countries have occurred during the past few years.

According to the report, China had provided 410 million kwh of electricity to Viet Nam through two power lines in its southern power grid by the end of 2007. The China-funded section of the western line of the south-north economic corridor, or the Kunming-Laos-Bangkok Road, in Laos was completed in June 2006, a year ahead of schedule.

At the Third GMS Summit, Wen introduced a package of fresh initiatives to boost cooperation. He pledged some 20 million yuan (\$2.9 million) to conduct an engineering feasibility study on the missing link of the eastern route of the proposed Pan-Asian Railway from Kunming to Singapore.

China also would build methane-generating pits for 1,500 rural households in GMS countries, he said. It would provide 1,000 training opportunities for GMS countries within the framework of GMS economic cooperation in the next three years to double the previous number, he said.

China also would increase the number of government scholarships for students from GMS countries by 200 in 2008 to finance their studies at higher learning institutions in Yunnan and Guizhou provinces and Guangxi Zhuang Autonomous Region, he said.

Wen announced that China would hold

the Second GMS Public Health Forum in 2009. The premier proposed setting up a GMS Economic Corridors Forum to encourage the involvement of cities and enterprises along the corridors. China also would be willing to host the first GMS telecommunications ministers' conference to discuss ways to speed up the development of the subregional information superhighway, he said.

At the same time, Wen committed better protection for the source of the Mekong River and greater consideration for the interests and concerns of the countries in its lower reaches.

It is in the overall interests of all GMS countries to develop the water resources of the Lancangjiang/Mekong River, Assistant Minister He said. As a country in the upper reaches of the river, China would never do anything harmful to the interests of the countries in its lower reaches, he said. While exploiting water resources, China has consulted other countries to address their concerns. China would strengthen its coordination with those countries to reduce and resolve potential problems in harnessing the Mekong River, he said.

Shen said China has increasingly realized the importance of protecting the upper reaches of the Mekong River, which not only is a concern of the countries in the lower reaches of the river, but also has a great bearing on China's ecological development. Because China does not want to harm the interests of lower-reach countries, the problems would be resolved through joint efforts, he said.

The recently released official report says that China is willing to collaborate with all the other GMS countries to bring their cooperation to an ever greater depth, thereby jointly creating a regional environment characterized by "peace and stability, mutual trust and win-win cooperation." ■

The Birth of the GMS

The Mekong River is a transnational river in Asia and is 4,880 km long. It originates at the Tanggula Shan Mountain on the Qinghai-Tibet Plateau, runs through China's Qinghai Province, Tibet Autonomous Region and Yunnan Province, Myanmar, Laos, Thailand, Cambodia and Viet Nam from north to south, and drains into the South China Sea. The river is known as the Lancangjiang River in China.

In response to an Asian Development Bank initiative, the six countries of the Greater Mekong Subregion launched the GMS economic cooperation mechanism in 1992. The first and second GMS summits were held in Phnom Penh, Cambodia, in 2002 and Kunming, China, in 2005. The project-oriented GMS cooperation concentrates on nine fields—transport, energy, telecommunications, tourism, the environment, human resources development, agriculture, trade facilitation and private investment.

THE STALLING POINT

A series of disputes cause another rift in the strained relationship between the two Koreas

By DING YING

The uneasy relations between Pyongyang and Seoul grew even tenser recently. South Korean Unification Minister Kim Ha Joong said that the jointly run industrial park in Kaesong would not be expanded until progress on the North Korean nuclear issue was made. Later, General Kim Tae Young, South Korea's new Chairman of the Joint Chiefs of Staff, told a parliamentary hearing that the military would attack a suspected North Korean nuclear weapons site if it believed the country was going to launch a nuclear attack on South Korea.

In response, North Korea expelled all South Korea officials from the industrial park in North Korea, tested a barrage of short-range missiles off its western coast and prohibited South Korean government officials from crossing the Military Demarcation Line. North Korean military leaders said they would view Kim Tae Young's remarks as "tantamount to a declaration of war" if Seoul did not apologize, the *Chosun Ilbo*, North Korea's daily newspaper, reported on March 31. The newspaper said that relations between Pyongyang and Seoul had hit their lowest point since October 2006 when North Korea conducted a nuclear test.

“South Korea’s hard-line attitude definitely would drive its northern neighbor farther away. Seoul should take active measures to reconcile with Pyongyang.”

—Shi Yongming, associate researcher at the Chinese Institute of International Studies

Because inter-Korean relations are extremely important to the ongoing discussions about North Korea's denuclearization, the two sides now must take precise measures to diffuse the current hostility, foreign affairs analysts said.

Lee's new policy

Analysts from both China and the United States believe that the remarks of two South Korean officials were a superficial reason for the dispute. They say that South Korean President Lee Myung Bak's hardline policy against North Korea is the real cause, because it differs greatly from the "sunshine policy" of his two predecessors, Kim Dae Jung and Roh Moo Hyun. This factor and the disagreement between North Korea and the United States over Pyongyang's failure to provide a list of all its nuclear assets by a December 31, 2007 deadline have further endangered the efforts to denuclearize the Korean Peninsula.

Gary Samore, Vice President and Director of Studies at the New York-based Council on Foreign Relations, said North Korea's refusal to provide a full and accurate initial declaration of its nuclear activities and programs indicated that it was not prepared at this time to acknowledge its nuclear program.

“As a result, the United States is not willing to remove North Korea from the list of state sponsors of terrorism and begin negotiations for ‘phase three’ of the denuclearization process, which includes the elimination of North Korea's nuclear weapons, establishment of a peace regime on the Korean Peninsula and normalization of relations between Washington and Pyongyang,” Samore told *Beijing Review*.

Washington is increasingly concerned about the fact that North Korea's nuclear facility declaration list and plans for dismantling the Yongbyon nuclear facility did not address the question of weapons that the country may already have, said Stephan M. Haggard, professor of Korea-Pacific Studies and Director of the Korea-Pacific Program at the University of California, Berkeley.

“My interpretation is that North Korea is bargaining and trying to show that it is tough, but the change in South Korean strategy makes it more difficult to do that,” Haggard said, referring to Lee's hardline policy on North Korea.

Unlike the last two South Korean presidents, Lee insists that the nuclear issue be resolved first and that future economic cooperation would be conditional.

“An additional component of the new administration's policy is that it will discuss openly issues of human rights, including through the UN,” Haggard said.

Charles Armstrong, Associate Professor of History and Director of the Center for Korean Research at Columbia University, said, “President Lee promised during his campaign that he would take a tougher position toward North Korea than his predecessors, and it appears that he is fulfilling that promise by demanding that North Korea verify its nuclear program before receiving more aid from South Korea.”

Lee's tough stance has made the situation even worse, said Shi Yongming, associate researcher at the Chinese Institute of International Studies. During Roh's administration, the South Korean Government acted as a lubricant between North Korea and the United States. South Korea's stance would continue to be “extremely important” in moving the denuclearization process forward, Shi said.

“Even if the United States denied some of North Korea's demands, North Korea might make some concessions, because it sees a high safety factor due to South Korea's cooperative attitude,” Shi told *Beijing Review*. After Lee won the presidential election last December,

North Korea started slowing down the pace of the dismantling of its nuclear facilities and adopted a wait-and-see attitude about Lee's policy, Shi said.

Lee's stance is more "pro-U.S." and "conservative compared to his predecessors," Shi said. In February, Lee said that if Pyongyang wanted to keep receiving aid, it had to improve its human rights record, abide by an international nuclear disarmament deal and start returning the more than 1,000 South Koreans captured or held since the 1950-53 Korean War. Lee's tough stance has not given North Korea much leeway, Shi said.

"The enraged North Korea had fewer choices so it returned to a hardline approach," he said.

Future prospects

In the meantime, the U.S. Government would not make any adjustment to its policy on North Korea in the short term, because the country is focused on the candidates for the presidential election in November, Shi said.

"For much of the Bush administration, the United States was more reluctant than South Korea to push for engagement with North Korea," said Armstrong from Columbia University. For the last two years, the United States and South Korea have been more or less in agreement about their North Korea policy, but with the new South Korean administration, it looks as though South Korea is less enthusiastic about engagement than the United States. Coordination between the United States and South Korea over North Korea policy has often been a problem, especially whenever there is a change of leadership in either country, Armstrong said.

While some analysts have different opinions about Lee's policy on North Korea, they all believe that the South Korean Government's hardline approach would provoke a tougher response from Pyongyang on the denuclearization process.

"Under these circumstances, I think it is appropriate and helpful for President Lee to announce that he will not expand economic cooperation with North Korea until the latter begins to cooperate with its commitments under the February 2007 six-party agreement," said Samore, referring to North Korea's commitment to the denuclearization of the peninsula. In any case, Lee's policy toward

North Korea "could lead North Korea to be more flexible or more hardline," he said.

Shi suggested that Lee's administration should be "less ideological" while dealing with inter-Korean relations. North Korea's tough responses may be a "psychological tactic," as some South Korean governmental officials have pointed out, Shi said. "But South Korea's hardline attitude definitely would drive its northern neighbor farther away. Seoul should take active measures to reconcile with Pyongyang."

Shi also offered a possible solution to the stalled

"North Korea is bargaining and trying to show that it is tough, but the change in South Korean strategy makes it more difficult to do that."

—Stephan M. Haggard, professor of Korea-Pacific Studies and Director of the Korea-Pacific Program at the University of California, Berkeley

process: North Korea and the United States should sign a new agreement on the nuclear facility declaration list, which could be divided into several different steps that each side could accept.

"Without a practical solution, even if the six-party talks resume this year, the efforts of all parties will be in vain," Shi said, adding that all sides should contribute to trying to ease the current stalemate.

Armstrong from Columbia University agreed that it was in the interest of all parties to promote reconciliation between North Korea and South Korea and between North Korea and the United States. Doing so would reduce tensions, allow greater communication and cooperation between the countries and allow them to deepen their economic exchanges, he said.

"But the path to that reconciliation will be long, complicated and difficult," he said. ■

(With reporting by Wang Yanjuan and Chen Wen in New York)

The Tense Situation on the Korean Peninsula in 2008

February 25: Lee Myung Bak took office as South Korean president. He promised to end unconditional aid to North Korea, saying Pyongyang must improve its human rights record and return South Koreans captured or held since the Korean War.

March 19: South Korean Unification Minister Kim Ha Joong said that the Kaesong Industrial Park would not be expanded until progress on the North Korean nuclear issue was made.

March 26: South Korean Chairman of the Joint Chiefs of Staff General Kim Tae Young said that South Korea would preemptively strike a suspected nuclear weapons site in North Korea if Pyongyang launched a nuclear attack on South Korea.

March 27: Pyongyang expelled South Korean officials who worked at the Kaesong Industrial Park.

March 28: North Korea test-fired short-range missiles and warned it would "mercilessly wipe out" any South Korean warships that violated its waters.

March 29: North Korea announced it would not allow South Korean military personnel and other officials to cross the Military Demarcation Line.

Source: Xinhua News Agency

Jokhang Monastery Episode

Opinions are divided over claims made by some monks to visiting world media

By JING XIAOLEI

The Chinese Government finally opened the door to foreign journalists wanting to enter Tibet on March 26, following days of unrest. The three-day trip was organized by the Information Office of the State Council for selected media organizations, including Hong Kong's *South China Morning Post*, Britain's *Financial Times* and the Associated Press from the United States.

On the morning of the second day of the tour, journalists were led to the Jokhang Monastery, one of the most sacred religious sites in Tibet and where the riots on March 14 first began, to interview the lamas. Before this, reporters had been taken to a Tibet medical clinic that had been attacked, and shown a clothing store where five girls had been burned to death by brutal rioters.

Journalists were listening to a briefing by an administrator in the courtyard of the monastery when several young monks suddenly disrupted the meeting shouting, "Don't believe them. They are tricking you. They are telling lies!"

About 30 monks in the courtyard began to close the door to the inner sanctum of the temple in an attempt to prevent anyone from

entering. They began talking excitedly to the reporters in Tibetan for about 30 seconds before one journalist asked them to speak Chinese.

Facing clusters of cameras and flashlights some were crying as they told the reporters that the government was lying about the recent unrest. They also rejected that the Dalai Lama clique was behind the rash of protests.

When asked why the monks were crying, one replied, "They feel so sad and uncomfortable to see that the worshippers at the monastery today are staged."

The short monk added that some 100 monks were killed during the riots, and repeated the same line again and again. But when one reporter asked him how he knew this and if he had seen the bodies or had any evidence, he remained silent and went away.

Chinese officials who were on the spot did not stop their interruption, just watching in silence. The monks' denunciation lasted about 15 minutes until the accompanying officials said time was up and asked the reporters to leave for the next stop.

News of the meeting with the monks soon appeared in newspapers, as well as on TV and the Internet.

Videos about the disruption were uploaded onto Youtube, the world's biggest video-sharing website, and attracted divided comments. Some showed their support for the monks, but others were skeptical of their claims.

"If what they said is true, common sense is that they will show photos and sources to shut up the Chinese Government. But they have no evidence, just their words," said one comment from ID Tubeme 352.

On the website of www.onechn.com, established by patriotic overseas Chinese, a still video image taken from footage of the meeting with the monks appeared to show one monk with his head turned laughing, while others wept.

"What they said is not true. They were attempting to mislead the world's opinion. The facts should not be distorted," said Baema Chilain, Vice Chairman of the regional government at a press conference, to domestic and overseas media on the evening of March 27.

China Central Television, the national TV broadcaster, sent a team of reporters to Jokhang Monastery later the same day to hear the short monk's story. But they were flatly refused by the monk saying that he was unable to talk because he had stomach-ache. ■



JING XIAOLEI

TEMPLE INTERLUDE: Some monks disrupt an interview by journalists in Jokhang Monastery, Lhasa, to tell their side of the Lhasa riots



FACELIFT: Saga Monastery is undergoing extensive renovation work. Restoration of Tibet's three major cultural heritage sites, including the Potala Palace, Norbu Lingka and Saga Monastery, is expected to be completed this year

Investing in Tibet's Culture

Large amounts of money are being pumped into Tibet to preserve the region's cultural relics

By JING XIAOLEI

Renovation work on Tibet's Potala Palace and Norbu Lingka has resumed as the weather gets warmer, according to a cultural relics official in the Tibet Autonomous Region (TAR).

Only a short period of the year is suitable for renovation work because of the high altitude and unfavorable weather conditions in Tibet, said Nyima Tsering, head of the TAR Cultural Relics Bureau. The bitter cold in winter affects the quality of renovation work so it has to be postponed until temperatures increase, he explained.

Renovation work on Saga Monastery, the third key project besides the Potala Palace and Norbu Lingka, has not yet been resumed because it is at a higher altitude, he said. Weather conditions will determine when renovations there restart.

The Saga Monastery, first built in 1073, has long enjoyed similar fame to the Dunhuang Grottoes, Gansu Province, for its large collection of Buddhist scriptures, valuable porcelain and vivid murals dating back nearly 1,000 years.

Work did not stop during the Lhasa riots on March 14, which is so far known to have claimed at least 18 civilian lives and caused 382 injuries, but the delivery of construction materials was delayed for a few days due to the traffic controls, he said.

Starting this year, China will appropriate about 570 million yuan (\$81 million) for the protection and renovation of 22 top-priority cultural relics in Tibet.

Among this investment, 280 million yuan (\$39 million) allocated by the State Development & Reform Committee is for the protection of Tashilhunpo Monastery, Nenyang Monastery, Namseling Manor and a number of other cultural sites. A total of 290 million yuan (\$40 million) from the Ministry of Finance will be pumped into renovation work at Jokhang Monastery, Ramoche Monastery, Drepung Monastery, Sera Monastery, Samye Monastery and some other sites, according to Nyima Tsering, head of the TAR Cultural Relics Bureau.

Those 22 cultural relics sites include 15 key cultural relics protection sites and key protection monasteries as well as 7 historical relics, said Nyima Tsering.

"Renovation of the three major cultural heritage sites in Tibet, which will cost 330 million yuan (\$46 million), is expected to be fully completed this year. Currently, another 570 million yuan (\$79 million) has been invested in the protection of Tibet's key cultural relics during the 11th Five-Year-Plan (2006-10) period," he said.

A lead group office that coordinates the protection of Tibet's key cultural relics and sites was set up last April and 15 plans and approval works have so far been completed.

About 700-million-yuan (\$97 million) investment has been allocated by the state government and the TAR local government to maintain about 1,400 monasteries, cultural heritage sites and sites for religious activities over the past two decades. ■



TOUGH JOB: Workers renovate the famous Potala Palace in Lhasa. Renovation work can only be carried out during a short period of the year in Tibet, due to the region's high altitude and freezing winter temperatures

Tighter Airports, Safer Games

China's aviation authorities have beefed up security measures in order to guarantee an incident-free Olympics

By LI LI

New security check procedures issued by China's civil aviation authorities in the wake of a foiled terrorist attack will make Chinese airports and air travel safer.

The regulations, which came into force on March 14, banned liquid products, including drinks, and some cosmetics and medicines from carry-on luggage on domestic flights.

The day before the cabin ban, the General Administration of Civil Aviation of China (CAAC) had announced it was stepping up safety checks ahead of the Olympic Games.

"Airport staff will open more bags and cases for security checks," the CAAC said on its website. Existing easy-boarding VIP services that allow passengers to pay for priority boarding have been cancelled.

Banned cosmetics include face cream, skin lotion, skin oil, perfume, skin spray, spray deodorant, shaving foam, toothpaste, contact lenses solution, hair gel and body butter. Sample-packaged cosmetics in containers of below 100 ml will be allowed but must be put in separate bags that can be opened for a security check.

For passengers with an infant, they will now need to apply in advance with the airline to provide them with formula or baby food free of charge, according to the notice.

Diabetics or other patients who need to carry liquid medicine should give them

to a member of the flight staff to hold after clearing a security check and presenting a doctor's prescription.

For passengers on international and regional flights, security check rules will remain unchanged, the authority said.

At present, according to rules adopted last May, all liquids carried in hand luggage on international flights must be held in containers with a capacity of no more than 100 ml. The containers should be placed in a transparent, resealable bag with a maximum capacity of 1 liter.

Each passenger will be allowed to carry just one bag. Exemptions will be made for baby milk and baby food in the baby's presence as well as medications with prescriptions.

The banning of liquid products on flights has been painful for passengers, leading to longer security checks and less informed passengers having to discard their liquid products. A number of passengers have missed their flights due to security check delays. Beijing Capital International Airport has attempted to tackle this problem by opening an emergency boarding channel for passengers about to miss their flight.

The CAAC announcement came in the wake of a foiled terrorist attempt on a Beijing-bound passenger plane on March 7. A 19-year-old Uygur woman smuggled two containers of gasoline onto a flight from Urumqi, capital of northwest China's Xinjiang Uygur Autonomous Region. She

took the containers into the bathroom and tried to light the gasoline, but was stopped by members of the flight crew.

No one was injured and the plane was diverted to Lanzhou, capital city of northwestern Gansu Province, before continuing on to Beijing.

Police at Beijing Capital International Airport will receive a delivery of new hi-tech equipment designed for fighting terrorism during the Beijing Olympic Games this summer, according to a report in *China Daily* on February 22.

Portable bomb detectors that can warn of explosives in just a few seconds will be deployed during the Games, said Zhang Zhi, an official with the police department.

"Airport police are already equipped with advanced bomb detecting, moving and disposal devices, along with x-ray machines and anti-riot robots. But we need more and faster bomb detectors for the Games," he told *China Daily*.

The new bomb-detecting equipment will be used to prevent people from taking explosives into the airport.

Zhang said an airport security zone will also be defined to prevent anyone from taking shots at aircraft when they are taking off and landing.

Police will also set up checkpoints on highways leading to the airport and conduct thorough background checks on all people employed at the airport, Zhang said. ■



TIGHT SECURITY: Discarded bottles beneath a sign announcing the ban on taking liquids in carry-on luggage at Baiyun Airport in Guangzhou, capital city of southern Guangdong Province



SHAANXI AUTOMOBILE GROUP CO., LTD 陕西汽车集团有限责任公司

Shaanxi Automobile Group Co., Ltd. was founded in 1968. Now its annual output of heavy-duty trucks has reached 100,000, the medium-sized and light trucks, 30,000, large and medium-sized buses (chassis), 5,000, and heavy-duty axles, 200,000. It is the only production base of military cross-country vehicles for the Chinese military.

The assets of Shaanxi Automobile Group Co., Ltd. total 7.9 billion yuan (\$1.1 billion), and the number of employees exceeds 18,000, among which the number of engineers and technicians and professional administrative staffs goes beyond 3,000. The company has formed a complete system, ranging from product research and development, manufacturing, testing and adjusting to marketing, and is among the first to get the Chinese Compulsive Certificate, the National Military Standard Certificate and ISO9000 Quality System Certificate.

In recent years, Shaanxi Automobile Group Co., Ltd. has been developing at a growth rate of 56 percent annually and has been on the list of Chinese top 500 companies. Its comprehensive strength ranks the 37th among the top 500 machinery companies and has won the various awards consisting of "National Certificate of Labour", "the Advanced Enterprise in Building the Spiritual Civilization" and "the Most Influential Company in China". Both "Shaanqi" (laden vehicles) and "Hande" (axles) have been conferred the title of "China top brand".

In 2007, the number of vehicles produced by Shaanxi Automobile Group Co., Ltd., reached 68,160, an increase of 59.15 percent compared with the corresponding period in 2006. The total industrial output value was 18.2 billion yuan (\$2.56 billion), an increase of 89.39 percent, the gross profit and tax was 712 million yuan (\$100 million), an increase of 64.97 percent, and the profit earned in exports totaled 250 million yuan (\$35.2 million), an increase of 300 percent. Now, Shaanxi Automobile Group Co., Ltd. has grown up as one of the five major truck production companies and owns three production bases in Xi'an, Baoji and Caijiapo.



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Development Zone, Xi'an 710200, China

Fax: 86-29-86955000

Phone: 86-29-83388588

For parts sale: 86-29-86956862, 83388396

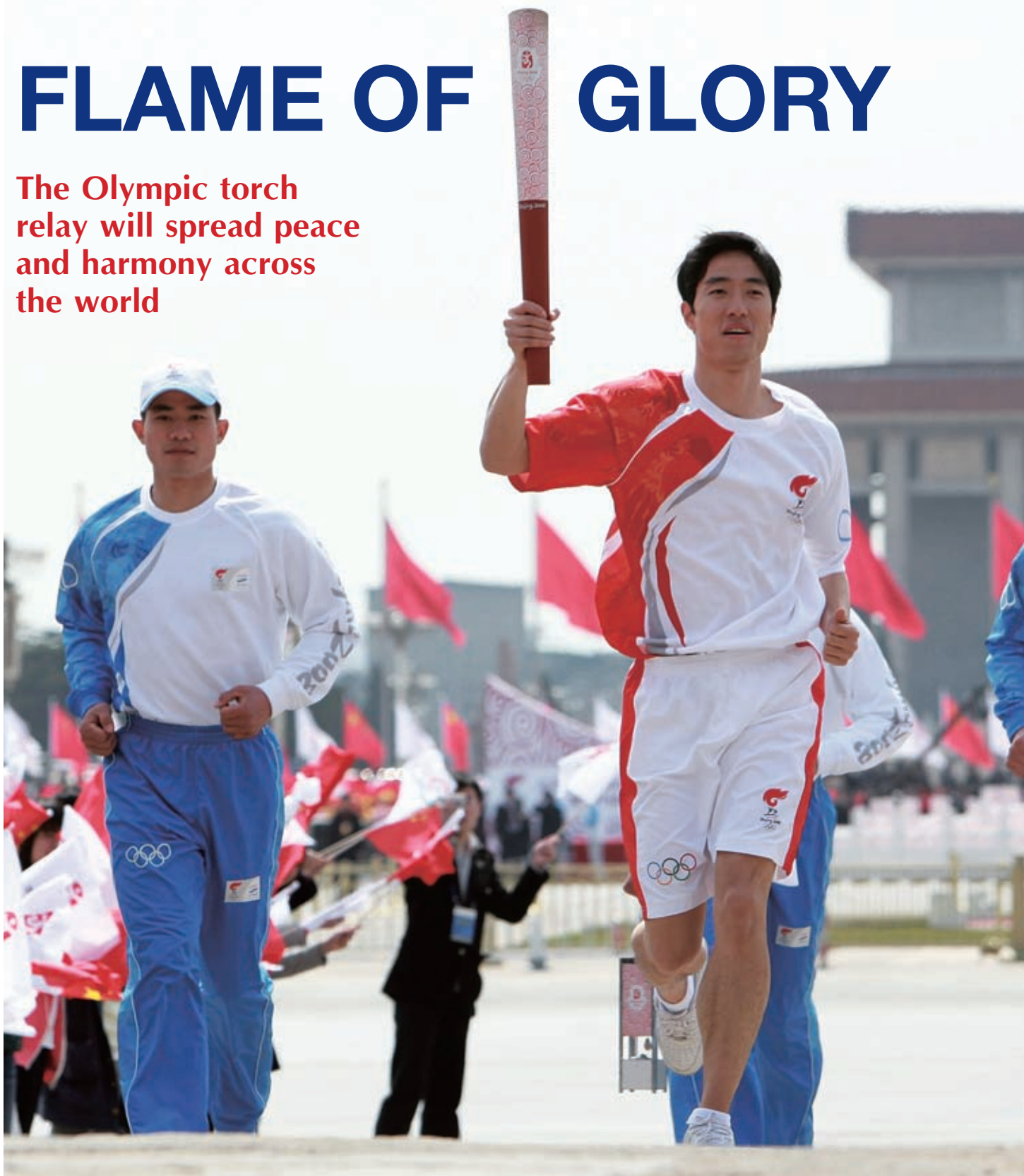
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Website: <http://www.sxqc.com>



FLAME OF GLORY

The Olympic torch relay will spread peace and harmony across the world



DREAMS COME TRUE:
Olympic champion Liu Xiang
runs with the Olympic torch in
Tiananmen Square on March 31



By **YAN WEI**

Two old nations, one shared dream. A symbolic integration of Eastern and Western civilizations was realized when a dramatically dressed Greek priestess kindled a specially designed torch for the Beijing Olympics at the ancient stadium in Olympia, Greece. In a flawless ceremony amid sunrays on March 24, High Priestess Maria Nafpliotou lit the Olympic flame with a concave mirror in front of the Hera Temple in Olympia. The flame was then held in a replica of an ancient urn to ignite the first torch for the upcoming Summer Games in Beijing. The torch, shaped like a traditional paper scroll and featuring the lucky image of clouds, is a perfect blend of time-honored Chinese wisdom and modern technology.

"Today will lead to the opening of the first ever Olympic Games in China, where one fifth of the world's population is longing for them," said Jacques Rogge, President of the International Olympic Committee, at the ceremony.

During the next four months, the flame will travel to 21 cities throughout the world and more than 100 cities on the Chinese mainland in a relay that "prepares the way to Beijing," Rogge said. "The messengers will be citizens, young or old, able or disabled, athletes and members of the Olympic Movement, who are all eager to promote what each one of us can contribute to a better world."

As the Olympic flame started its "journey of harmony" under the slogan of "light the passion, share the dream," former Olympians, politicians, scholars and laypeople alike expressed their best wishes for the relay and the hope that it would deliver the message of world peace throughout five continents.

"I feel it is a great honor to have the 5,000-year-old Chinese civilization and the Greek civilization integrated in the Olympic flame," said Luo Xuejuan after finishing her part of the relay in Olympia. The 24-year-old former Olympian is the first Chinese to bear the Olympic torch.

Four years ago, Luo won the only swimming title for China in Athens at the women's 100-meter breaststroke competition. Known as the "Queen in the Pool," she was crowned world champion of the women's 50-meter and 100-meter breaststrokes in both 2001 and 2003. She announced her retirement in early 2007 due to health problems. Now a student of international relations at Peking University, Luo said she hopes the torch relay will spread the message of "world peace."

Warm wishes

The day the flame was lit in Olympia, the Beijing Organizing Committee for the Games of the 29th Olympiad launched a "best wishes for the torch relay" program on its official web-

Global Torch Relay Starts

The round-the-world Olympic torch relay was officially launched when President Hu Jintao lit a cauldron with the Olympic flame at Tiananmen Square in Beijing on March 31. Hu then passed the torch to Olympic champion hurdler Liu Xiang, who ran with it amid applause and cheers from excited spectators.

Addressing the ceremony, which was broadcast live on Chinese state television, Vice President Xi Jinping said the Olympic flame would release the passion of all the Chinese people for the Olympic Games and showcase to the rest of the world their determination to stage a unique and well-planned Olympic Games. The Chinese Government and people would continue supporting the hosting of the Olympic Games and welcome participants from all corners of the world, he said.

Hein Verbruggen, Chairman of the International Olympic Committee's Coordination Commission for the Beijing Olympics, spoke at the ceremony on behalf of Jacques Rogge, President of the International Olympic Committee. The combination of the Olympic flame and torch is one of the best-known and strongest symbols of the Olympic movement, he said. It not only heralds the arrival of the Olympic Games, but also spreads the message of peace to the world, he said.

"I'm certain that the games themselves will not only be a moment of sporting excellence, but also an opportunity for the people of China and the world to learn, discover and respect each other," Verbruggen said.

The Olympic flame arrived in Beijing on March 31 onboard a chartered Air China plane. Minoa Kyriakou, President of the Hellenic Olympic Committee, handed the flame over to Liu Qi, President of the Beijing Organizing Committee for the Games of the 29th Olympiad, at the Panathenian Stadium in Athens the day before, after a six-day torch relay in Greece.

The flame left Beijing on April 1 for Almaty, capital city of Kazakhstan, the first stop on its global tour.



FAN RUIJUN

site. Within the first two days, Internet users from more than 20 countries and regions, including China, the United States, Britain, Greece, France and Australia, posted more than 5,000 messages on the website.

“We wish all the athletes the best of luck and we hope that the Olympic Games will be peaceful and harmonious,” said a posting from Australia from Class 6N at Bankstown Public School in New South Wales.

A U.S. netizen who identified himself as Chris wrote: “I wish the Olympic flame a grand and safe journey around Greece, the world, and China. And I wish the Chinese to have the greatest Olympics ever. Good luck Beijing 2008!”

It will be a “great honor” as the Olympic flame travels to St. Petersburg, one of its five destinations on the European continent, on April 5, said Russian Olympic Committee spokesman Gennady Shvets. All the Olympic champions who reside in St. Petersburg, renowned athletes of the city and Olympic champions from other parts of Russia will take part in the four-hour torch relay there.

Days before the torch relay started, U.S. President George W. Bush reconfirmed that he would attend the Beijing Olympics. White House spokeswoman Dana Perino said Bush believes that the Olympics are a chance for athletes to compete at the top of their class.

Highly symbolic

Yang Dong, Deputy Director of the Olympic Cultural Research Center at Beijing Union University, said the torch-lighting ceremony was symbolic of a meeting of two ancient civilizations and highlighted Beijing’s determination to make the Olympics a diversified, people-oriented, international cultural event.

Yang said 293 ancient Olympic Games were held from 776 B.C. to A.D. 393. The same period witnessed the emergence of Chinese culture in ancient China. Sports, therefore, developed “along parallel lines” in the two countries, he said. Given their huge cultural gap, the two ancient countries practiced sports in different manners, he said. For example, while the Greeks stressed body proportions, the Chinese placed more emphasis on health and longevity, he said.

Sun Baoli, professor at Beijing Sport University, said China and Greece enjoyed distinctive sporting traditions that embody their respective agricultural and maritime civilizations. The differences, however, provide an opportunity for them to come together, she said.

Sun said she hoped the torch relay would better inform other countries of the Chinese people’s pursuit of world peace and commitment to building a harmonious world, while promoting Olympic values such as peace and friendship. ■

IGNITING HARMONY: President Hu Jintao holds the torch, with which he lit a cauldron at a ceremony in Tiananmen Square to officially start the global Olympic torch relay on March 31

Torch Relay in Numbers

The Olympic flame will travel to 21 cities outside the Chinese mainland and be carried by more than 2,000 torchbearers. It will travel a distance of 97,000 km in 33 days from April 1 to May 3.

The 97-day torch relay on the Chinese mainland will take place in 113 cities and towns in the country’s 31 provinces, autonomous regions and municipalities from May 4 to August 8. More than 19,000 torchbearers, ranging from 14 to 93 years old, will run more than 40,000 km with the torch.

In May, the flame will be carried for the first time to the top of Mount Qomolangma (Mount Everest), the world’s highest peak some 8,844 meters above sea level.

TORCH RELAY SNAPSHOT



1
OI HENG



3
AN ZHIPING



2
FAN RUIJUN



4
OI HENG

1. HANDOVER

A Greek high priestess lights a cauldron at the Panathenian Stadium in Athens on March 30 when the Olympic flame was handed over to Beijing

2. SACRED CEREMONY

Flame escorts light a torch with the Olympic

flame kindled in Greece at the global torch relay launch ceremony in Tiananmen Square

3. UNFORGETTABLE DAY

A Peking Opera performer who welcomed the Olympic flame in Tiananmen Square poses with

the emblem of the Beijing Olympics

4. MARCH ON:

Kazaks gather at the Medeu ice skating rink to celebrate the launch of the Olympic torch relay in Almaty on April 2



The Planned Route Map for the Beijing 2008 Olympic Torch Relay

- | | | | | |
|--------------------|----------------------|------------------|--------------|---------------|
| © Beijing | 012 Bangkok | 024 Wanning | 036 Nanchang | 048 Hefei |
| 001 Almaty | 013 Kuala Lumpur | 025 Haikou | 037 Wenzhou | 049 Huainan |
| 002 Istanbul | 014 Jakarta | 026 Guangzhou | 038 Ningbo | 050 Wuhu |
| 003 St. Petersburg | 015 Canberra | 027 Shenzhen | 039 Hangzhou | 051 Jixi |
| 004 London | 016 Nagano | 028 Huizhou | 040 Shaoxing | 052 Huangshan |
| 005 Paris | 017 Seoul | 029 Shantou | 041 Jiaxing | 053 Wuhan |
| 006 San Francisco | 018 Pyongyang | 030 Fuzhou | 042 Shanghai | 054 Yichang |
| 007 Buenos Aires | 019 Ho Chi Minh City | 031 Quanzhou | 043 Suzhou | 055 Jingzhou |
| 008 Dar Es Salaam | 020 Hong Kong | 032 Xiamen | 044 Nantong | 056 Yueyang |
| 009 Muscat | 021 Macao | 033 Longyan | 045 Taizhou | 057 Changsha |
| 010 Islamabad | 022 Sanya | 034 Ruijin | 046 Yangzhou | 058 Shaoshan |
| 011 Mumbai | 023 Wuzhishan | 035 Jinggangshan | 047 Nanjing | 059 Guilin |



San Francisco

Buenos Aires

060 Nanning
 061 Baise
 062 Kunming
 063 Lijiang
 064 Xamgyi'nyilha
 065 Guiyang
 066 Kaili
 067 Zunyi
 068 Chongqing
 069 Guang'an
 070 Mianyang
 071 Guanghan

072 Leshan
 073 Zigong
 074 Yibin
 075 Chengdu
 076 Shannan
 077 Lhasa
 078 Golmud
 079 Qinghai Lake
 080 Xining
 081 Urumqi
 082 Kashi
 083 Shihezi

084 Changji
 085 Dunhuang
 086 Jiayuguan
 087 Jiuquan
 088 Tianshui
 089 Lanzhou
 090 Zhongwei
 091 Wuzhong
 092 Yinchuan
 093 Yan'an
 094 Yangling
 095 Xianyang
 096 Xi'an

097 Yuncheng
 098 Pingyao
 099 Taiyuan
 100 Datong
 101 Hohhot
 102 Ordos
 103 Baotou
 104 Chifeng
 105 Qiqihar
 106 Daqing
 107 Harbin
 108 Songyuan
 109 Changchun

110 Jilin
 111 Yanji
 112 Shenyang
 113 Benxi
 114 Liaoyang
 115 Anshan
 116 Dalian
 117 Yantai
 118 Weihai
 119 Qingdao
 120 Rizhao
 121 Linyi
 122 Qufu

123 Taian
 124 Jinan
 125 Shangqiu
 126 Kaifeng
 127 Zhengzhou
 128 Luoyang
 129 Anyang
 130 Shijiazhuang
 131 Qinhuangdao
 132 Tangshan
 133 Tianjin
 134 Beijing



Tickets, Touts and Tech

The Beijing Olympic authorities have employed high-end technology and a resale system to beat ticket touts and forgers profiting from the Games

By TANG YUANKAI

There are some 7 million tickets on sale for the 2008 Beijing Olympic Games, which can be applied for on the official ticket-booking website, via outlets of Bank of China and through the mail.

However, the appearance of the tickets remains a secret and lucky ticket holders will not get a chance to see them until June.

As the games grow closer, the value of Olympic tickets is rising. A 5,000-yuan A-type ticket for the opening ceremony was recently on sale for 190,000 yuan (\$27,000) on the Internet, a newspaper from Shandong Province reported.

The fortunate ticket holder was one of just 26,000 members of the general public nationwide who has a seat for the opening ceremony.

"After I posted to sell my ticket I received many phone calls, but no one has

actually bought it yet," said the ticket holder.

Staff at the Olympic ticket center said there had been some cases of people transferring tickets at extraordinarily high prices.

The Beijing Organizing Committee for the Games of the XXIX Olympiad (BOCOG) has developed policies to regulate the selling on of tickets. The regulation rules that normal tickets can be sold on after they have been paid for, but ticket sales for the opening and closing ceremonies must be approved by BOCOG. As these tickets are sold via a real name system, if the holder wants to sell their ticket, they must go to the ticket center to make the transaction. Each ticket can be transferred only once.

"Consumers have to be cautious about ticket transactions on the Internet as some might be fake," warned one staff member at the ticket center.

Buying in tickets and selling them on at a profit is also forbidden. According to a spokesperson from the Beijing Public Security Bureau, the local police have already enhanced patrols around sports venues in an effort to catch scalpers.

RFID technology

Fake tickets are easy to identify as genuine tickets carry an anti-fake chip.

"It is just like an IC card used on the buses. You just put the ticket on the examining machine and the machine identifies it as real or fake in 0.1 of a second," said Ren Hongzhou, who is in charge of the ticket technology, which is called Radio Frequency Identification (RFID).

The RFID tech has already been used in China's second-generation ID card, but this is the first time it has been applied to the ticket system of the Olympics. The technology



GOLDEN TICKETS: Two foreign teachers in China book tickets for the 2008 Beijing Olympic Games at a Bank of China outlet in Mudanjiang, northeast China's Heilongjiang Province

XINHUA

was tried out at the 2006 FIFA World Cup in Germany, but was not fully implemented for a variety of reasons. It was not used at the 2004 Athens Olympic Games as the technology was not mature and the cost of using it was high.

It took about one year to develop the anti-fake chip, the average cost of which is around 5 yuan (\$0.69), according to Ren.

The chip does not contain the personal information of the ticket holder but has a unique serial number that fits a "secret key" within the machine, which displays a photo, name and other information of the ticket holder. "It is like there's key to the safe in the checkup machine. The serial number and the key have to be matched so that the audience can be admitted to the venues," said Ren.

"Even the tickets for the opening and closing ceremonies don't contain any personal information with them to prevent the leak of privacy," explained Ren. The personal information is stored in remote servers. The information will be displayed on a screen behind the checkup machine, including a photo, name, sex, nationality, age and ID number. "At the same time, a camera will scan the ticket holder's face so that the checkup worker can compare the two faces without having to look at the face of the ticket owner. This saves time in the checkup process," explained Ren, adding that personal information will be destroyed when the Olympic Games is over.

"The smaller we make the chip, the smaller the chance that it will be broken. So our team has made it just 1 mm squared and at the same time the cost has been reduced," he noted.

Ren recalled how the technology officials of the International Olympic Committee (IOC) tested the quality of the ticket. They were folding, tossing and pouring water over it. After all the "torture," the ticket still worked.

In case a ticket cannot be recognized, a small keyboard is available by the side of the checkup machine. The serial number of the ticket can be typed via the keyboard to see the detailed information.

The checkup machine also has a unique serial number. If it is stolen the machine will automatically lose all its functions.

The RFID technology has undergone real tests during the Good Luck Beijing events. "I was so surprised to see there were fake tickets. How could it happen?" Ren recalled, before disclosing that the IOC had deliberately produced a batch of fake tickets to test the RFID system.

"Some of the fake tickets did not have chips at all and some had been installed with other chips. All of them were identified and the system worked 100 percent correctly," noted Ren. ■

DISCOVERING BEIJING

An Astronomer's Tale

By TANG YUANKAI

Few visitors to Beijing would think the area around Beijing Railway Station a nice place to linger after seeing the station flooded with crowds of passengers. Yet a brick building nearby, one of world's oldest observatories, is well worth a tour.

With its well-preserved architecture and equipment the Ancient Observatory is known internationally and has been visited by heads of state, government officials and renowned scientists and astronomers from around the world.

The observatory was designed in the Yuan Dynasty (1271-1368) out of a turret in a gate of the city wall. The original construction was destroyed at the beginning of the Ming Dynasty (1368-1644) when the city was conquered and the surviving astronomical equipment was transported to Nanjing, an eastern Chinese city.

Today's structure was rebuilt on the site in 1442, using the original plans. It became the royal observatory and for the five centuries until 1929, astronomical observation was conducted there, making it one of the longest serving observatories in the world.

Renowned scientists of the Ming Dynasty created a lot of original observation equipment that is still in the observatory today. Xu Guangqi was one of those astronomers. He worked as a teacher in the daytime and studied technology related to agricultural production in the evening. As agricultural production was closely related to astronomy and irrigation, which depend on mathematics, Xu read many books on all three subjects.

In around 1595, Xu met a Catholic missionary named Lauzaro Catneo, who introduced him to Western science. Xu was told that Italian Jesuit missionary Matteo Ricci possessed authoritative scientific knowledge, so he paid a visit to Ricci and became his student.

During the Qing Dynasty (1644-1911), the Ancient Observatory adopted Western technology to produce eight pieces of copper observation equipment. These large pieces of equipment are elegant in shape, showcasing the cultural exchanges between East and West. The carved patterns and molding of the equipment are Chinese while the scales and the internal structure are imported from Europe. The equipment is still exhibited in the Ancient Observatory today.

The production of one of the eight pieces of copper equipment was presided over by Liu Songling, the Chinese name of Slovenian Augustin F. Hallerstein. He was trusted by the Chinese emperor and appointed as the head of the royal observatory for 28 years.

In 1900, when the allied army of eight Western nations invaded Beijing, soldiers ransacked the Ancient Observatory and stole much of the observation equipment, which was eventually returned to China due to pressure. ■



HE JUNCHANG

HISTORY PRESERVED: The car carrying the Olympic torch of the Beijing 2008 Olympic Games speeds past the Ancient Observatory in Beijing on March 31

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The Future of Business

Guanghua School of Management at Peking University, one of China's top management study schools, is gaining a growing international reputation



HAPPY SMILES:
The team from Guanghua School of Management, with Dr. Rungting Tu (third left) and Dr. Wu Jianfeng (fourth left) as the advisor, show their smiles at the main Bangkok Business Challenge® @ Sasin 2008. First from the right is a member of another team

Guanghua School of Management at Peking University is among the top management schools in China. Peking University is the most prestigious university in China, and the GSM, which attracts talented business management students from around the world, is rapidly gaining international acknowledgements. At Thailand's Global New Venture Plan Competition—the main Bangkok Business Challenge®@Sasin 2008, which was held from February 28 to March 1 in Bangkok, the team from Guanghua School shone among the 45 teams from 17 different countries.

The Guanghua team consisted of five MBA students from Singapore, the Philippines and China's mainland. "We spent only one month from the preparation to the end of the competition," said Leidia Tan, an MBA student from Singapore who now studies at Peking University. "It was a great challenge for us, but we finally made it."

Although they did not come on the top in the competition, their business plan attracted the attention of venture capitalists. "A feature of this competition is that it puts more importance on the executive possibility of the business plans, not just the plans themselves," said Dr. Wu Jianfeng, assistant professor at the Guanghua School. "Our students are all very excellent and showed their language skills as well as professional ability at this international competition. Meanwhile, they have learned how to cooperate with each other as a team, which will be very helpful for them in their future careers."

"We come from different backgrounds, and unavoidably we often have different ideas about the same issue, but we never quarrel and blame each other; instead, we just sit down and discuss the problem carefully. In the discussions, we realized that we have quite different thinking methods and the discussions helped widen our minds. Finally we built up very solid friendship through cooperating in the competition," said Leidia.

After all their achievements, there were also many lessons learned during the competition.

"The competition aimed more at assessing the critical thinking ability than other abilities," said Dr. Rungting Tu, assistant professor of marketing at the Guanghua School. Tu, from Taiwan, had received his Master's and Doctor's degrees from Stanford University and the University of North Carolina in the United States, respectively. He

had never been to China's mainland before he accepted the position at Peking University. Having a diverse background and experience, he has his own ideas for the MBA students.

"Some students like to follow the conventional 'right' ideas, but in the business world, what is right or wrong can be very difficult to decide. A lot of so-called 'right' ideas are student's predictions of what others, e.g., judges, professors, interviewers, etc, might consider 'correct.' As a result, in a competition, Chinese students like to have a plan/solution that is grand and obscure, rather than providing unique, interesting and well-organized approach/idea, and being precise and knowing how to deal with details are necessary qualities for a manager."

Tu also expressed his concern about the desire among students to focus solely on internships rather than devoting time on class study. Many MBA students seek out internship opportunities during the course of their second year of study, which is not the best use of time while they are in the MBA program, according to Tu. It is helpful to put knowledge into practice in an internship, but for the MBA students who have worked for several years before coming here, the marginal benefit of such internship while in school is very minimal and it may even affect their academic learning negatively, he added. Unfortunately this internship trend is likely to continue despite the fact that the work involved is often routine and tedious.

This problem must be solved step by step, not in one leap. Guanghua School designs excellent training programs for students and offers them knowledge rather than just the brand of having completed an MBA, according to Tu.

"The students should graduate as capable managers rather than just acquire a gilded reputation," he said. "We will create more chances for students to participate in business practice and activities, and to help them develop confidence to grasp every opportunity."

This year marks the 110th anniversary of Peking University. Guanghua School, a relatively new addition to the university, promises to shine even more brilliantly in the future.

By YUAN YUAN

China's NASDAQ Countdown

The mainland NASDAQ-like market is meant to fuel emerging companies, but the risks are high

By LIU YUNYUN

After nearly a decade of deliberation, the growth enterprise market (GEM) on the mainland will soon be opened, providing a boon to the country's start-up companies.

Shang Fulin, Chairman of the China Securities Regulatory Committee (CSRC), vowed to push forward the debut of China's growth board to establish a multi-layer capital market.

The exciting news for growing enterprises was marked by the debut of the draft rules guiding GEM listing, published on March 24. The draft rules outline basic requirements for growth enterprises, allowing a more generous threshold for those companies that want to list.

The government expects the GEM to function like the U.S. NASDAQ, which has created many hi-tech miracles in its history. But how to turn goodwill into reality is a question for all.

SMEs applaud new channel

Currently, a large number of fast growing companies are thirsty for capital. The GEM has been greeted warmly by those with high growth potential.

Xing Ming, CEO of Tianya.com, said his company planned to launch IPO in the GEM in 2009, even though Tianya.com's profitability has met the criteria to be listed on the main board. It was one of the 13 companies invited by Shenzhen Securities Exchange to discuss the CSRC's GEM draft rules. "The pricing mechanism on the GEM is more flexible and this allows a higher price/earning ratio," said Xing. "We eventually came to the decision that we should be listed on the GEM."

Tianya.com was founded by Xing in 1999 and did not make a profit until 2005 when it received \$5 million in venture capital, mostly from Legend Capital and Zero2ipo. The company's business has soared since then. As a fast-growing online community, Tianya.com's profits in 2007 were 18 million yuan (\$2.56 million), nine times higher than its 2006 profit. Xing expected the website's profits this year could triple or quadruple that of 2007.

Xing said he is confident about the GEM function to finance growth enterprises. "Currently, venture capital and private equity investments in China are very vibrant, and the country is filled with capital liquidity," said Xing.

Traditionally, most of the small companies are funded by individuals who start the company. They will pitch investment proposals to venture capital firms or other investment agencies after their businesses are taking shape and starting to make money.

Yobo.com, set up in 2006, is a typical example showing how Chinese small companies are growing. Its director of technology Yu Tuo told *Beijing Review* that the company got angel investment (funding companies at an early stage), and later secured venture capital from several American companies. The company works to decode people's music DNA and provide music products according to individual needs. The company has no timetable yet to list, as "we have to make profits first," said Yu.

Timing is key

After the GEM draft rules were released in March, the market had a heated discussion on when the board would finally be put into practice. Clearly, the present bearish atmosphere on the mainland is not a good sign.

Zhou Youyu, professor with the Sichuan Provincial Academy of Social Sciences, suggested the GEM be postponed, as "the sluggish stock market is not ideal." From last October to the present, the benchmark Shanghai Composite Index lost almost half, resulting in the shrinking of investors' wealth. "The most urgent task is to rebuild investor confidence," said Zhou. Many new individual investors have lost a significant amount of wealth due to the market turmoil, and are reluctant to start trading again.

The GEM is expected to divert large sums of capital from the main board, which will knock out the already listless market. It is estimated that each of the GEM-listed companies will raise 100 million yuan (\$14.2 million) to 200 billion yuan (\$28.4 billion). "Though the volume is not devastating for the main board, the volatile capital in the main board market will flow to the GEM



for speculative trade," said Zhou. Zhou contended the system and market supervision on the main board are not perfect yet. "If the government rushes to launch the GEM without considering the market capability, how to protect retail investors' interests will be a great challenge to the authorities," said Zhou.

The draft rules are a forerunner of the GEM, while the securities watchdog did not give a specific timetable for launching the market, only saying it could be "any time soon."

Risk control paramount

"The growth board is set to be an active market, producing numerous opportunities but risks as well," cautioned Wang Hanqi, a financial lawyer in Shanghai.

The NASDAQ is an extreme case of successful growth boards, while similar boards in some foreign markets have run into problems. Last year, NASDAQ became the largest U.S. exchange by handling 29 percent of all equity trades, up from 27 percent in 2006. The United States has a deep-rooted tradition of supporting small tech-related companies with high growth potential. The favorable environment in the United States also attracts many emerging Chinese companies like Sina Corp., Baidu.com Inc. and Focus Media, which picked NASDAQ for



XINHUA

LISTING IS EVERYTHING: Many startups in hi-tech development zones on the mainland want to be listed on stock exchanges to raise capital

“The growth board is set to be an active market, producing numerous opportunities but risks as well.”

—Wang Hanqi, a financial lawyer in Shanghai.

initial public offerings (IPOs).

Other boards, such as the Alternative Investment Market in London stock exchange and the GEM in Hong Kong stock exchange, were more lackluster. The later did not attract a single new company to launch IPO in the market last year and only six companies chose it for IPOs in 2006.

Can China be luckier than those mediocre GEMs? Wang had as many doubts as other experts. Wang said the mainland stock market was still immature compared with those in developed countries. Institutional investors are not strong enough and the individual investors are not experienced, who only wish to gain trade margins instead of focusing on the long-term development of a company. Without sufficient supervision, GEM might be another playground for the speculators, many fear.

Wang argued that the guarantee institution must play a vital role. “The companies listed on GEM have high operational risks compared with those listed on the main board,” Wang said, “It poses a difficult task for guarantee institutions to discriminate the companies with real growth potential from the faked potential.” ■

Key Elements in the Draft Rules for the GEM

- The company should operate for at least three consecutive years with a clear-cut core business.

- The company’s two-year earnings should exceed 10 million yuan (\$1.43 million).

- The company’s most recent yearly revenue should exceed 30 million yuan (\$4.26 million), growing no less than 30 percent from a year earlier.

- The company’s core business should generate earnings no less than half of total revenue.

- The daily trading limit will be 20 percent.

Milestones in Ushering Growth Enterprise Market (GEM)

October 2000: Shenzhen Securities Exchange stopped IPOs to prepare for GEM.

Early 2001: Cheng Siwei, then Vice Chairman of the Standing Committee of the National People’s Congress, suggested postponing the GEM, drawing lessons from the dot-com crash of the U.S. NASDAQ and the omnipresent domestic listed companies’ scandals. Later that year, high level officials decided to rectify the main board before introducing GEM.

2002: Cheng Siwei proposed a “three-step” approach to establish the GEM, suggesting that the government launch a small and medium-sized enterprise market (SME Market) before the GEM.

May 2004: CSRC approved the establishment of an SME Market in the Shenzhen Securities Exchange.

June 2004: Shenzhen market resumed IPOs—eight new companies were listed in SME Market.

June 2005: Marked the 50th company listed in SME Market, after which IPO was totally stopped in both Shanghai and Shenzhen markets, as the mainland would undergo a shareholding reform across the country.

June 2006: The two markets resumed IPOs, and China CAMC Engineering Co. Ltd. was the first one listed in SME Market after the shareholding reform. In late 2006, Shang Fulin, Chairman of CSRC stated the government would launch GEM at an appropriate time.

March 2008: The regulator issued the draft rules for GEM market, laying legal foundations for IPOs in the GEM Market.

Passing the Price Test

Recent oil shortages have reignited debate on how and when to reform the oil pricing system on the mainland

By LAN XINZHEN

In early March, the southern provinces suffered from severe diesel shortages and drivers lined up in front of gas stations for a drip of the lifeblood for their vehicles.

The oil crunch did not ease despite the efforts of refineries to fulfill market demand. Many gas stations had to restrict the volume for each car to enable more autos to refuel. Normally, they would allow one vehicle to add no more than 20 liters, about 100 yuan (\$14.18).

The diesel shortage not only affected logistics and transportation, but also spread to agricultural production. Spring is the regular planting time for farmers, but the lack of oil made many farming tools useless.

China underwent widespread oil short-

ages last October that did not ease until this January. However, two months later, the diesel supply fell short of demand again, posing a question to many: What are the problems in energy supply chain?

A supply-demand trick

A strange phenomenon has hassled energy experts. Official figures have all indicated an abundant refined oil supply, but why is the market still hungry for oil?

On March 24, PetroChina and Sinopec, China's two major oil producers, both publicly stated that the current domestic refined oil supply was sufficient enough to guarantee the domestic demand.

Information from the National Development and Reform Commission (NDRC) website also showed that in the first two

months, the refined oil output grew 10.5 percent year on year. The refined oil inventory rose 28 percent by the end of February compared with that of the very beginning of 2008, with diesel inventory jumping 46 percent. Judging by these statistics, the NDRC believed the ample domestic refined oil supply could absolutely guarantee the demand.

As a matter of fact, PetroChina and Sinopec have both increased their refined oil supply to the market. From January to March, Sinopec's Guangdong branch increased refined oil supply by 12.8 percent year on year to over 3.5 million tons. In March in particular, the company put in 1.25 million tons of refined oil in Guangdong market, up 21.7 percent from that of February. The retailing volume increased 27 percent compared with that of February.



Given the increasing supplies, Guangdong is one of the provinces hit the hardest by the oil crisis.

Like Guangdong, other provinces in the south have all faced the same conundrum. Cities like Hangzhou, Nanjing, Ningbo, Fuzhou and Shanghai have reported serious diesel shortages even though the diesel supply in those cities increased in the first three months.

People were wondering why oil shortage occurred in times of sufficient inventory?

The answer

There are two market motives behind the strange phenomena: The monopolistic oil companies deliberately created such serious oil shortage to force the government to raise the price of oil and to seek refined oil pricing rights; Second, domestic refined oil prices fall far short of the international crude oil prices, leading to an outflow of domestic refined oil products.

Sun Baojiang, professor at China University of Petroleum, agreed on both assumptions, saying the problem stemmed from the refined oil pricing mechanism on the mainland.

Currently, the NDRC, the top economic planner, calls the shots in retailing prices of

refined oil products, while oil producers and retailers must follow the decree of the government.

Confronted by surging international oil prices, the Chinese Government froze refined oil prices in a bid to tame the soaring consumer prices. A large proportion of the refined oil is imported. The retailers pay huge money to import oil, but only to find the domestic retail prices are kept strictly below their cost. Many of the gas stations are losing money and have stopped operating, and cars gather in front of those stations still open.

Statistics from the Guangdong Petroleum Industry Association show there were about 5,500 gas stations across the Guangdong, and half were privately owned. The prices between the import cost and the retailing prices forced private gas stations to stop selling oil. As a result, the number of gas stations in Guangdong was reduced sharply by half.

Many refineries chose to stock oil instead of selling it because they could not profit from operation.

"This round of the oil crisis is caused by shortage of selling, not the shortage of oil," Sun contended.

Apart from the factors mentioned above, some refineries sold refined oil to the overseas markets through legal and illegal ways to earn larger profits, leading to refined oil export boom.

Guangzhou Customs calculated that in 2007, Guangdong imported over 8.2 million tons of refined oil, dropping 18 percent year on year. At the same time, it exported 2.1 million tons, or 47 percent higher than a year before. In the first two months in particular, Guangdong's refined oil exports reached 771,000 tons, which was 2.7 times of that of the same period last year.

The coastal areas were exposed to more serious oil shortage, as it is relatively easy for companies in those areas to sell oil to the overseas market.

But Sinopec and PetroChina told a different story. Both attributed the shortage to heavy snowfall in the south, the biggest in half a century in the beginning of 2008, as more oil was needed to fuel the rehabilitation and spring agricultural work. Another factor was increasing international oil prices. Many of the domestic refineries and retailers expect the oil prices would continue to rise, thus delaying supply and storing oil as inventory. Rumors widely circulated that oil prices were certain to rise, further propping up retailers' confidence in a rising oil prices.

But people do not buy the two giants' story, blaming them for finding excuses for the oil shortage.

Coping with the crunch

"The fundamental solution to the oil crisis is to carry out reform of the refined

oil pricing mechanism," said Yu Hui, a researcher at the Chinese Academy of Social Sciences.

Yu said the current oil prices on the mainland don't reflect the cost. "They know there is a shortage, but insist on stocking up on oil. They would rather export oil than sell domestically," said Yu.

Most of the oil shortages in history were eventually eased through government intervention. But the government has ignored one root problem: the lack of marketization of refined oil prices.

Shen Yuedong, an energy expert with the Shanghai Academy of Social Sciences, also believed in the long run, the market will play the most important role in pricing oil products, while government intervention is just an interim measure.

The mainland oil insiders have been calling for building oil pricing system with market competition, connecting domestic refined oil prices with the international prices, loosening control of refined oil wholesaling links controlled by PetroChina and Sinopec, and achieving fair competition in oil imports.

But for China at this stage of development, it is not realistic to fully open the oil market, as the majority of the consumers, including companies, cannot afford high oil prices.

The government was also faced with the oil problem. On the one hand, it has to suppress oil prices to fuel social and economic development. On the other hand, it must compensate refineries with huge amount of money lost in oil transaction, triggering people's criticism of its "favorable attitude to the oil companies."

The NDRC had considered adopting a new pricing mechanism on oil after the 2005 oil crisis. The NDRC planned to loosen control and let the oil prices decided by the market.

However, to date, the new pricing mechanism has not been adopted. The NDRC said it had taken consumers' interests into full consideration, and the consumer price index had been flying high in the recent two years.

Zhang Guobao, Director of the newly established National Energy Bureau, said the reform on refined oil pricing mechanism must be taken seriously in a step-to-step manner and a right timing was imperative. It means the domestic refined oil pricing mechanism will not be reformed in the near future, and this round of oil shortages needs government intervention.

Sinopec stated on March 24 that the company will continue to reduce inventory to guarantee sufficient supply. In the meantime, it will transport refined oil from Hainan Province to the Pearl River Delta region, which is hit the hardest by the oil shortages each time in history. ■

IF NEHU

"This round of the oil crisis is caused by shortage of selling, not the shortage of oil."

—Sun Baojiang, professor at China University of Petroleum

DEJA VU: Only two months after the last round of oil crisis was eased in January, the southern provinces are again hit hard by the lack of oil and long queues reappeared in front of gas stations

Ag Insurance: A Hard Row to Hoe

High premiums, few insurance varieties and low awareness of insurance are the three obstacles to promoting Chinese farm insurance

By TAN WEI

The snowstorms that hit south China in early 2008 rang alarm bells for improving social early-warning mechanisms. Farm insurance is one of the things that were found to need vast improvement.

The storms were the worst since 1954, affecting 77.86 million people in 20 provinces (autonomous regions and municipalities) in south China. By February 24, direct economic losses had reached 151.65 billion yuan (\$21.66 billion). Rural areas were most seriously affected, where 4.22 million hectares of farmland was hit, accounting for one third of China's total cultivated land. In this time of need, farm insurance should have played its role. However, by February 24, only 919,000 cases had been claimed and 1.28 billion yuan (\$182.86 million) of indemnities paid. Of the total, farm insurance indemnities only stood at 44.63 million yuan (\$6.38 million), 3 percent of the total indemnities.

Yuan Li, spokesman of the China Insurance Regulatory Commission, said that because of the time difference in settling

the claims, it is believed that farm insurance indemnities will continue to increase. However, much of the damages will not be compensated because they are not covered by insurance.

According to Yuan, based on previous experience, only 3-5 percent of losses can be covered by farm insurance, while the claim rates in foreign countries are about 30 percent.

The deficiencies of China's farm insurance system, 3 percent and 30 percent, have been uncovered by these serious storms.

During this year's session of the National People's Congress, Premier Wen Jiabao said that this year, the government will actively expand the scope of farm insurance and carry out reforms of policy-based farm insurance.

The fiscal budget report submitted by the Ministry of Finance indicates that in 2008, the central budget will allocate 6.05 billion yuan (\$864.29 million) to improve the subsidy system for farm insurance premiums, nearly triple the figure of 2007, meaning that policy-based farm insurance will make new breakthroughs this year.

Tuo Guozhu, professor at Capital University of Economics and Business, thinks

that after the snowstorms farmers are more enthusiastic to participate in farm insurance. Strengthened fiscal support this time conforms to this situation. The input of 6.05 billion yuan (\$865 million) indicates that farm insurance may achieve breakthroughs in terms of increasing insurance types and expanding subsidy scopes this year.

Wu Yan, President of People's Insurance Co. (Group) of China (PICC), contends that subsidies for farm insurance premiums can multiply the effects of central budget input in agriculture by farm insurance. "This is a very meticulous mechanism arrangement," he said.

Many balk at participation

"I really considered selling all the pigs I had left and never breeding pigs again." When recalling the disaster he faced in 2006, Niu Chengfu is still fearful.

In the second half of 2006, blue-ear pig disease hit south China, causing large-scale abortions of sows and deaths of piglets. Among the total 80 pigs raised by Niu, 30 died of this disease, leading to losses of more than 10,000 yuan (\$1,428). All his efforts and investment over half a year lost, since he had not insured his pigs.

In fact, insurance in the breeding industry covers live pigs, so why didn't Niu insure his pigs? "It's not that I didn't want to participate in the insurance, but had no access to the insurance," he said resignedly. According to the requirements, sows and piglets weighing more than 10 kg can be insured, and the annual premium for each pig is 80 yuan (\$11), until the pig becomes full-grown and ready for slaughter.

"After deducting breeding costs, the profit for raising a pig was only 300 yuan (\$42.86) at that time, but premium accounted for more than one fourth of it," Niu said. To prevent losses, Niu is now willing to buy insurance. But the insurance only covers pigs of more than 10 kg, while piglets below 10 kg are very likely to die.

Actually, insurance companies have no choice but to be so prudent. Since the recovery of the farm insurance industry in 1982, its business has been mainly carried out by PICC. Under the planned economy, costs and profits were not under consideration, and many insurance types were developed all over the country. In the peak time of 1993, premium income of farm insurance totaled 830 million yuan (\$118.57 million), but the indemnities also reached 116 percent of the premium. In 1996, PICC was commercialized and farm insurance profits began to shrink. In 2002, farm insurance saw the largest decline in over 20 years, with its premium revenue



ZHANG JUN

PLANTING SEEDS: Fruit growers in Luochuan County, Shaanxi Province, receive indemnities for their damaged fruit trees



LIU HAIYANG

In 2008, the central budget will allocate 6.05 billion yuan (\$864.29 million) to improve the subsidy system for farm insurance premiums, nearly triple the figure of 2007

SAFETY NEW: The owner of a pig farm in Huaying, Sichuan Province, who signed an insurance agreement for his 296 sows, holds one of his piglets

standing at 640 million yuan (\$91.43 million), accounting for 0.04 percent of the total output value of agriculture. After PICC was listed on the Hong Kong stock exchange in 2003, it abandoned most of its farm insurance business for consideration of economic returns.

China is the largest agricultural country in the world with frequent natural disasters. Every year, natural disasters cause economic losses of over 100 billion yuan (\$14.29 billion) and 200 million people are affected—manifestations that farm insurance is indispensable.

However, during the process of promoting farm insurance, because of high risks and high operation costs, prices of farm insurance are much higher than those of other insurance types, while farmers' incomes still remain at a low level. For all these reasons, farmers are not enthusiastic about buying insurance, and when in difficulty, they are likely to seek government aid.

Hao Yansu, President of the School of Insurance under the Central University of Finance and Economics, said that at present, most people regard the government as the first line of defense when natural disasters occur. In his opinion, this is inadvisable and people should enhance their ability to cope with natural disasters by themselves. When thinking of some disasters that cannot be dealt with by themselves, they should go to insurance companies to divert their risks. The society and the government should be the third and fourth line of defense.

Improving the insurance system

In contrast with the bitter experience two years ago, Niu's life has changed greatly. Since July last year, pork prices have been

soaring, six times of those in 2006. Niu has not only repaid his debts for raising pigs in the previous years, but also bought a truck worth 200,000 yuan (\$28,571).

"Now raising pigs makes money, and the risks are smaller." He attributed all this to the policy of farm insurance subsidies carried out in Guangdong since August 2007. According to local provisions, losses caused by natural disasters, insects and plant and animal epidemic diseases can all be compensated. The insurance amount is 400 yuan (\$57) per live pig, 6,000 yuan (\$857) per cow and 15,000 yuan (\$2,142) per hectare of orange orchards. Premiums are fixed by means of public bidding. Participating in farm insurance is on voluntary basis, and the farmers only need to bear a small proportion of the premiums, with the rest covered by subsidies from local governments.

"Farmers only need to pay 12 yuan (\$1.71) and the government subsidizes 48 yuan (\$6.86) for a pig, and the highest indemnity for a sow is 1,000 yuan (\$142)," Niu said. According to him, right after signing the insurance policies, the insurance company will return the 48 yuan of government subsidy for each pig.

According to Hao, this pattern is quite mature in foreign countries. In the United States, over 50 percent of premiums of crops are assumed by the government, while in Japan, the government fixes subsidies on premiums for different crops, with the highest proportion surpassing 70 percent.

However, Niu still believes the insurance types are too limited and the threshold is high, since many crops that need insurance are not included. Particularly, the sudden snowstorms this year make his heart fearful still.

Niu's worries may be relieved this year. According to information from the Ministry of Finance, it will research subsidy measures on premiums for planting and breeding industries, explore the establishment of a farm reinsurance system and natural catastrophe risk management mechanism, enhance the ability of the farm insurance system against risks and cope with catastrophe indemnities caused by extreme weather and climate.

In March, Minister of Finance Xie Xuren told the media that his ministry will further promote reform of the farm insurance system this year based on experiences of pilot projects: It will increase subsidies on premiums, with the rate for the planting industry reaching 35 percent. It will also enlarge the subsidy scope and grant support to provinces with enthusiasm, ability and conditions to develop farm insurance, especially major grain-producing provinces.

Yuan from the China Insurance Regulatory Commission noted that the policy support from the central budget will bring about a systematic transformation and that it is a historic leap to encourage farmers to buy insurance through granting subsidies to premiums and establish a market-oriented risk-sharing system.

"As the experiment of farm insurance is being carried out and effects of indemnities after the snowstorms are seen, farm insurance will see increasingly evident systematic change, which will greatly promote the development of its own and even the whole insurance industry," Yuan said. A mature and improved farm insurance system will protect more farmers. Even if another disaster occurs, they will feel less harm but more courage and confidence of rebuilding their homes. ■

Building Rural China

The Communist Party of China Central Committee and the State Council have issued five “No.1 documents” since 2004, which constitute the framework of China’s new policies toward agriculture, farmers and countryside development at the new stage of building a moderately prosperous society in all respects. **Chen Xiwen**, Deputy Director of the Office of Central Financial Work Leading Group and Director of the Office of Central Rural Work Leading Group, shares his views with *Beijing Review* reporter Yu Shujun on the country’s agriculture, farmers and countryside development, and changes in China’s rural areas due to the implementation of the reform and opening-up policy over the past 30 years.



HUANG JINWEN

CONCERNS: Chen Xiwen, Director of the Office of the Central Rural Work Leading Group, says it’s a tough job to promote agricultural modernization in China

Consolidating the fundamental role of agriculture in economic growth is among the eight major economic tasks put forward at the annual Central Economic Work Conference held in December 2007. There are at least three reasons to justify the importance of strengthening agriculture’s position as the foundation of the economy.

First, agriculture remains the weakest link in the national economy. It’s true that the proportion of agriculture in gross domestic product (GDP) drops following the development of industry and the urban economy in any country. But in China, with a large agricultural population (about 55 percent of

the nation’s total according to the National Bureau of Statistics), agriculture contributes only 11 percent to the GDP. Besides, agriculture is subject to natural disasters and market fluctuations, farmers’ income is low, and infrastructure, technology and equipment in the countryside are backward.

Second, the government and the whole society should share the responsibility of developing agriculture in order to increase farmers’ income, and ensure the supply of labor and agricultural products.

Third, despite the fact that local government at all levels are increasing investments in agriculture and reducing the tax burden on farmers, the key to inspiring and mobilizing farmers is to further reform the economic system in the countryside.

In the past three decades, reform in rural areas can be divided into three phases.

In the first phase, from 1978 to the late 1980s, reform was carried out within villages to implement the household contract responsibility system that gives farmers autonomy in planning production according to demands from the market and choosing jobs they want to take. The reform invigorated farmers and gave great impetus to the development of agriculture and the rural economy.

Rural reform in the second phase focused on the agricultural product distribution system to ensure market-based resource allocation. It’s a basic feature of the market economy that the market plays a decisive role in resource allocation.

The focus of reform in the third phase is an overall planning of the country to balance urban and rural economic and social development as proposed by former general secretary of the Central Committee of the Communist Party of China (CPC) Jiang Zemin in his report to the 16th CPC National Congress in 2002.

The most important task at this stage is

to break up the urban-rural dual structure and establish a new system for balanced social and economic development in rural and urban areas.

The Chinese people have attained great achievements in the past three decades. In the first phase, the government managed to provide the people with adequate food and clothing. For example, the grain production in China increased from 300 billion kg in 1978 to 501.5 billion kg in 2007, up more than 60 percent in 30 years. It’s safe to claim that it’s a great achievement few countries in the world could accomplish.

Another achievement is that farmers’ per-capita net income increased remarkably, from 134 yuan (\$19) in 1978 to 4,140 yuan (\$591) last year. The number of farmers without adequate food and clothing shrank from 250 million before reform and opening up to less than 15 million at the end of 2007.

Furthermore, a system that guarantees a minimum standard of living has been set up nationwide in the countryside. The system had covered 34 million farmers by the end of 2007.

However, the urban-rural income gap in China keeps widening. The average net income of farmers is about one third of that of city residents. Therefore, rural reform to promote development and narrow the urban-rural gap still remains to be an arduous task.

The Central Government has clearly put forward two requirements to fulfill the task after the 16th CPC National Congress.

The first is to shift the focus of state-level projects of infrastructure construction to rural areas. There are more than 34,000 townships and 640,000 villages in China now. It is not difficult to connect every township by concrete roads. Thanks to the government’s investment in rural areas in recent years, farmers in 85 percent of villages have access to bus services.



The government has input a total of 200 billion yuan (\$28.6 billion) to improve power grid in rural areas since 1998, and for farmers in remote areas the government has funded small water conservancy projects or made use of solar and wind energy to generate electricity.

The second is to improve farmers' housing conditions. Thatched huts have all been replaced by tile-roofed houses. Some farmers are even living in two- or three-storey buildings.

Meanwhile, basic public services in rural areas, including the nine-year compulsory education system and the rural cooperative medical care system, have also been improved.

Nine-year compulsory education covered 148 million children of school age in rural areas in 2007. The government has taken a further move to exempt 150 million children from textbook fees, and subsidize 7 million-8 million children in boarding schools since last September. This courageous move was unimaginable decades ago.

The new rural cooperative medical care

system benefits 700 million farmers. The Central Government decided to increase the annual medical subsidy to every farmer this year—from 20 yuan (\$3) to 40 yuan (\$5.7). Together with 40 yuan (\$5.7) from the local government and 20 yuan (\$3) from the farmer, this totals 100 yuan (\$14) in a medical care account every year.

Despite these steps forward China lags behind developed countries in agriculture in many aspects.

First, the majority of farmers in China have a wrong notion about the use of agricultural chemical products. They think the more fertilizers they use, the better their products are. China currently tops other countries in terms of the total volume of urea-based fertilizer used. In many other countries, the per-unit usage of fertilizer is controlled at a reasonable dosage for the sake of not only cost, but also environmental protection.

Second, despite the fact that the government has established a complete system of agricultural research and technology promotion, academic research in agricultural science has failed to meet the real needs of farmers or

AFFORDABLE: Thanks to the new rural cooperative medical care system, an increasing number of farmers in remote rural areas can afford health care

transfer into applicable technology.

The third problem is farmers' education. Farmers in China receive only eight years' education on average and only 0.2 percent of them have received junior college education or above. This has greatly affected the productivity of agriculture and demands more efforts from the government to promote hi-tech agriculture.

It's a tough job to promote agricultural modernization in China. We need to apply more technological achievements to agricultural production and ensure sustainable development, and at the same time stick to the nine-year compulsory education system and improve the average education of farmers. If we catch up with developed countries in these aspects, the gap we have today will indicate huge potential in China to develop agriculture in the future. ■

Nurturing SMEs

Practical financial, tax and accounting issues affecting international SMEs during the early stages of investment

By CHRIS DEVONSHIRE-ELLIS

Foreign companies have long looked to China as a means of lowering manufacturing costs and gaining access to a large, developing market. Abundant natural resources, cheaper labor, big local markets and a developed supply chain base combined with local government incentives including tax breaks, special investment treatment and repatriation of profits have been attracting international small manufacturing enterprises (SMEs) to China since the early 1980s. Investing halfway across the globe is not without its challenges though, and there are many problems and difficult issues a China "first-timer" will encounter. For SMEs especially, understanding these problems and issues will be the difference between making and losing money.

Recent economic factors affecting international SMEs

● *New policies announced by the Chinese Government*

Over the past year, the Chinese Government has announced several new customs policies and taxation policies, including a new corporate income tax law that took effect on January 1, 2008 and a value-added tax (VAT) rebate reduction on some 2,891 types of products in July 2007. Regarding foreign direct investment, the aim of these measures is to encourage high value-added foreign industries into China and move away from pollution-causing, low-tech manufacturing. In the future, the Chinese Government will become increasingly selective of foreign investors. Local governments will welcome hi-tech, high value-added, low-polluting, low natural-resource-consuming foreign investors; and be more restrictive over low value-added, low-tech, labor intensive and resource intensive industries. Furthermore, from 2008, foreign companies no longer receive preferential tax treatment, as they did under the old foreign enterprise income tax law, unless they qualify as a high/new technology enterprise, in which case the company's tax rate will be 15 percent.

● *Influence of RMB appreciation*

From a global viewpoint, possible influences may be:

- 1) Asset value increase in China;
- 2) Advantages for importation;
- 3) Disadvantages for exportation;
- 4) Cost increase on renminbi loans;

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5) Conversion of earned profits from renminbi into the U.S. dollar;

6) Investment in China will now require more U.S. dollar injection;

7) Labor cost in China may increase.

● *Inflation driving costs up*

China is beginning to see rampant inflation and the costs of everything from fuel oil and building materials to food are increasing. Raw materials, rent and salaries are just a few of the areas that are affected by China's rising inflation.

● *Compulsory deposit reserve ratios increased*

The compulsory deposit reserve ratio for banks increased for 10 times in 2007. China also raised interest rates six times last year as the government sought to contain growing inflation. Interest rates may continue to increase further throughout 2008, exerting more influence on banks in China and their capacity to lend money. These moves aim to suck up the excessive liquidity, and squeeze hot money out of the stock and property markets.

Financial, tax and accounting issues

● *Different bank accounts with different functions*

Why does one need to open so many different bank accounts? Why can we not just use one banking institution to handle all business transactions? Unfortunately, SMEs in China are likely to use at least two to three different banks when it comes to running operations.

SMEs will need to open a capital account to receive foreign investment capital

from the holding company, a settlement account in foreign currency if the company has overseas business, and a basic renminbi bank account to pay salaries and other expenses in local currency.

It is also a normal practice to have two additional, separate bank accounts to make payments to the state tax authorities. This bank is selected by the authorities themselves.

Additionally you may need to open a separate loan account to receive loans from the mother company. All these bank accounts have different functions, and the company concerned should clearly define them including arranging for the different signatory authorizations, security levels and related arrangements. From a practical point of view, you may also have to consider choosing a bank logistically closer to your operation base or office reducing the time to withdraw money or issue checks. Finally, as more and more foreign banks are allowed to operate on a much broader scope in China, the foreign investor will be faced with even more options to choose from.

● *Initial cash flow problems*

International investors are likely to face cash flow problems in the initial investment period: unforeseen expenses in the budgeting phase (we hear this a lot), slow sales revenues, longer credit terms given to clients in order to open up new markets, deposits required at customs and immediate payment requirements by local suppliers before they get to know your company's credit standing. All of these may put an unexpected dent on your wallet at the early stages of your investment.

If you are stretched and need some immediate cash please note that different cities in China may have different local policies on foreign currency control and lending. ■

In Issue No. 17 we will continue to examine tax and accounting issues affecting international SMEs.

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- ◆ April 7-14
Folk Music Concert
Venue: Chinese National Orchestra Concert Hall
Tickets: 380/280/180/100/50 yuan
- ◆ April 8-10
The Green Green Qinghai—dance drama
Venue: Theater of the National Cultural Palace
Tickets: 380/280/180/100/50 yuan
- ◆ April 10-13
The Acrobat Performance
Venue: Poly Theater
Tickets: 380/320/260/180/120/80 yuan
- ◆ April 19-21
In The Mood for Love—ballet
Venue: Tianqiao Theater
Tickets: 380/280/180/100/50 yuan
- ◆ April 22-24
Inspector General—puppet performance
Venue: Theater of the Cultural Palace of Nationalities
Tickets: 150/100/50/30 yuan
- ◆ April 25
Su Xing Beijing Vocal Concert
Venue: Beijing Exhibition Center Theater
Tickets: 1,680/880/580/380/280/180 yuan
- ◆ April 25-May 3
Dae Jang Geum—musical comedy from South Korea
Venue: Century Theater
Tickets: 880/580/380/180/120 yuan
- ◆ April 26
He Jie Beijing Vocal Concert
Venue: Beijing Exhibition Center Theater
Tickets: 1,680/880/580/380/280/180 yuan
- ◆ April 27
Tan Weiwei Beijing Vocal Concert
Venue: Beijing Exhibition Center Theater
Tickets: 1,680/880/580/380/280/180 yuan
- ◆ April 28
Ji Jie Beijing Vocal Concert
Venue: Beijing Exhibition Center Theater
Tickets: 1,680/880/580/380/280/180 yuan
- ◆ May 2
2008 Beijing Concert of the Band Secret Garden
Venue: The Great Hall of the People
Tickets: 1,280/980/680/480/280/180 yuan
- ◆ May 8-10
Backfire—Huangmei opera
Venue: Theater of the National Cultural Palace
Tickets: 150/100/50/30 yuan
- ◆ June 13
2008 TVXQ Beijing Vocal Concert
Venue: Fengtai Sports Center
Tickets: 1,980/1,680/880/680/480/280 yuan

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TO THE POINT: China is becoming more expensive in many ways with rising prices for oil and dairy products, leading economists to conclude that the country has entered a period of inflation. Consumers' willingness to buy was deeply hurt by the plummeting stock market. China's textile exports decreased in the first two months of 2008, while many clothing companies were unprofitable because of the U.S. dollar's depreciation. A World Bank report says East Asian economies will maintain their high growth despite the global economic slowdown.

By LIU YUNYUN

MARKET WATCH

Shrinking Textile Exports

China's textile exports to the United States dropped 17.6 percent in February—good news for homegrown American textile companies, but devastating news for their Chinese peers.

The textile export slowdown was mainly due to the U.S. economic recession, which prompted shrinking demand for clothing and other textile products. The continuously depreciating U.S. dollar has eaten up the meager profit of export-oriented companies, some of which had to file for Chapter 11 bankruptcy.

The textile industry association has already started a nationwide investigation on the predicament of textile-related companies. Internal policies to curb labor-intensive industries as well as the country's new labor law that advocates higher salary packages also add tremendous pressure to textile companies.

"Coupled with the rising raw material cost, the overall company cost rose 20-30 percent," said Gao Yien, Export Manager at Hangzhou Fulida Group Holdings Ltd., to *China Securities News*. "This year is the most difficult year for the Chinese textile industry."

Statistics from the General Administration of Customs showed China's textile exports grew a mere 5.7 percent in the first two months of this year, and the growth rate was 30 percent-

age points lower compared with the same period last year.

Before 2004, textile companies brought in the most foreign currencies of all industries. The proportion has decreased since then. Gao said his company now suggests that overseas clients pay in other currencies, but few agree. "Obviously, they can take advantage of the currency depreciation," he said.

Some textile companies say they will continue exporting their goods even if it means no profit, rather than giving up an important client. They are optimistic that the currency volatility will eventually pass, but in the meantime they say they cannot afford to lose clients who are their sources of bread and butter.

Economic Growth in East Asia

Economic growth in developing East Asia will drop by around 1-2 percentage points to about 8.5 percent in 2008 as a result of the unfolding financial turmoil in the United States and the resulting global slowdown, according to the World Bank's latest six-month review of East Asian and Pacific economies.

But despite the likely drop from recent double-digit levels, overall growth remains healthy across the region, and most countries are well positioned to navigate the global slowdown because of the investments they have made during the last 10 years in structural reforms and putting

sound macroeconomic policies in place, the report says.

The report says East Asia, China in particular, is increasingly becoming a "growth pole" in the world economy. It acts as a counterweight to the slowing industrial economies. China, which is expected to see its economic growth slow from 11.4 percent in 2007 to 9.4 percent in 2008, continues to perform strongly because of rising domestic investment and increased consumer spending.

Part of the reason for the continuing buoyancy is that East Asian exporters have benefited in recent times from trade both within the region and beyond to markets other than the United States. The region has recorded export growth at levels as high as 17 percent for developing country markets outside East Asia.

"Domestic demand is now playing a much bigger role in driving growth in the East Asia region," said Vikram Nehru, the World Bank's chief economist for East Asia and Pacific. "East Asia has also been able to diversify its export markets so, even though there is a significant decline in demand from the United States, East Asia has been able to compensate by exporting larger amounts to Europe and to other developing countries."

But the report also warns that the real challenge for governments in the region is the inflationary effect of mounting food and fuel prices especially because of the harsh burden this imposes on the poor.

1.12 trillion yuan

China's fund management companies, which operate 341 funds, reported a total profit of 1.12 trillion yuan (\$160 billion) in 2007, four times more than in 2006. Equity and hybrid funds earned about 86 percent of the profit.

111.11 yuan

The price per share of China Shipbuilding Industry Corp., once the most expensive of all stocks, nosedived to 111.11 yuan (\$15.8) from a peak price of 300 yuan (\$42.6). There were only five other stocks whose share prices were above 100 yuan (\$14.2) each.



CIFP

“While the subprime crisis will have its impacts—possibly on some countries more than others—the more immediate concern is that in virtually every East Asian country, inflation is climbing to uncomfortable levels,” said Jim Adams, Vice President of the World Bank’s East Asia and Pacific region.

East Asia Economic Growth (%)

	2006	2007	2008	2009
Emerging East Asia	8.4	8.7	7.3	7.4
Developing East Asia	9.8	10.2	8.6	8.5
Southeast Asia	5.5	6.1	5.6	6.0
Indonesia	5.5	6.3	6.0	6.4
Malaysia	5.9	6.3	5.5	5.9
Philippines	5.4	7.3	5.9	6.1
Thailand	5.1	4.8	5.0	5.4
China	11.1	11.4	9.4	9.2
Viet Nam	8.2	8.5	8.0	8.5
South Korea	5.0	4.9	4.6	5.0
Japan	2.2	2.1	1.5	2.0

World Bank East Asia Region; March 2008
Consensus Forecasts for Newly Industrialized Economies

Source: World Bank’s “East Asia & Pacific Update”

From “Agflation” to Inflation

China is not the only country with soaring food prices. Food prices in other

countries have all soared, most recently spurred by the 30-percent jump in the price of rice on the world market.

The word “agflation” refers to agriculture inflation. Like it or not, “agflation” is here. Pork prices, a trigger of this round of inflation, remain stable at a high level of around 28 yuan (\$4) per kg, twice the price during the same period a year ago. The National Development and Reform Commission (NDRC), China’s top economic planner, quickened its steps in approving price rise applications. On March 28, it allowed two dairy producers to increase their prices by 15 percent. Three days later, it gave its approval for a major edible oil supplier to raise its prices by as much as 30 percent. Further price hikes are highly expected in the market.

Though officials believe that the surge in the price of rice on international markets would not affect China, profit-driven rice trading companies might export more instead of fulfilling domestic demand. It will in turn prop up domestic rice price.

Tao Dong, Credit Suisse First Boston’s chief economist of Asia-Pacific region, contends that “agflation” has already expanded and that China is about to enter a period of overall inflation.

The global situation for inflation is no better. Alex Patelis, an economist at Merrill Lynch, said in his March 26 report that “seven of our 10 indicators show bubbling inflation,” and the inflation threat mainly comes from emerging markets. His

report suggests the most worrying signs are tightness in the food and energy markets, surging money supply growth, repressed inflation in emerging markets, the reaction function of central banks and the continued central bank financing of the U.S. current account deficit.

Cutting Consumption

The six-month-long market slump has hurt the investors deeply, and 70 percent of them have decided to curb their spending because of their losses in the stock market.

The National Bureau of Statistics said consumer confidence dropped in the first two months of the year. Furthermore, a survey by consulting firm AC Neilson indicated that 70 percent of respondents said they would spend less money on recreation and meals.

Also in the survey, 43 percent said they would buy fewer clothes and 53 percent said they would buy fewer hi-tech products.

The stock market plunge has trapped a huge number of investors, while surging commodity prices have discouraged people’s willingness to buy.

Consumption is considered one of the three pillars for gross domestic product growth. The others are exports and fixed asset investments. The global economic slowdown has already dragged down China’s exports. If the country’s level of consumption slows, the whole economy will suffer. ■

Dining for Leisure

The Regent Beijing features four restaurants, including a bar and a lounge providing guests with a variety of culinary styles and the finest in dining environments.

The Bar & Grill

The bar nestles in the north wall with high-quality French wines and champagne. In the south wall, large glass windows with fretwork lattice overlook Jinbaojie.

The dining room's rich wood-paneled surfaces and plush upholstery in muted neutral tones create the ideal environment to enjoy a palate of grilled seafood, meat and poultry selections. The Bar & Grill is a warm environment perfect for intimate dining.

The Crescent Lounge

The Crescent Lounge, spacious and fresh, is a convenient and impressive place to meet or relax. Floor-to-ceiling glass walls provide natural lighting and reveal bamboo plants intermixed with lush greenery providing a picturesque backdrop for two large brass Chinese art sculptures. A little oasis in the heart of Beijing, the garden makes beautiful scenery for a casual soiree, high tea or evening cocktails.

For further information, please contact:
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Beefy Hot Pot at Yizunhuangniu Restaurant

If you are looking for tasty hot pot and luxurious royal style décor in Beijing, Yizunhuangniu Restaurant in Wanda Plaza won't disappoint. The signature Yizunhuangniu halal beef is carefully selected and prepared to ensure its taste and nutrition, allowing the meat to remain succulent and flavorsome even if it is overcooked.

The Yizunhuangniu Group has opened eight directly owned chain restaurants and dozens of franchises in different provinces across China. The group is also a member company of the China Cuisine Association and the China Chain Store and Franchise Association.



Nestlé Icecream Opens GZ Factory

The officials of Guangzhou City, the Guangzhou Economic and Technological Development Zone and Peter Brabeck-Letmathe, Chairman and CEO of the Nestlé Group worldwide, jointly inaugurated a new Nestlé ice cream factory in the Guangzhou Economic and Technological Development Zone on March 26.

The opening of the factory in the dynamic area of Guangdong Province will

help Nestlé to meet the increasing consumer demand for high-quality, innovative and safe ice cream. Nestlé brands are the ice cream market leaders in Guangdong. The new facility will manufacture NESTLÉ ICE CREAM and FIVE RAMS products. FIVE RAMS, a local brand owned by Nestlé, is one of Guangdong's oldest and most popular brands.

Peter Brabeck-Letmathe said the opening of this factory is a concrete expression of Nestlé's commitment to the city of

Guangzhou, to Guangdong Province, and to the brand's consumers in China. At the same time, he said it is the company's response to meet the increasing demand for Nestlé brands. "While offering consumers our strong international brands, we also understand the appeal of local brands, such as the local favorite FIVE RAMS, and this is why we have lent strong support—in both technological know-how and marketing—to making sure this brand continues to thrive and prosper," said Brabeck-Letmathe.

Minzu Hotel Launches Free Gym for Guests

Going to the gym helps people break through the noise of the metropolis to find a quiet place within their soul and develop a healthy lifestyle.

Minzu Hotel opened its gymnasium in a grand ceremony this spring, offering urbanites a place to relieve the pressure of modern life and pursue relaxation of the mind. The gym is located on the second floor in a quiet and

elegant environment. Going to the gym regularly can help a person reduce fat and mold the perfect body. Minzu Hotel's gym will give you a new attitude to life and create a spring in your step.

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Lufthansa Center Beijing

On March 26, the Media Operations Department of the Beijing Organizing Committee for the Games of the XXIX Olympiad (BOCOG) hosted a photo exhibition on the theme of a green Olympics on the square in front of the Lufthansa Center in Beijing. Over 100 photos and models, based on green Olympic venues, an ecological city, saving energy, reducing discharge and public participation were shown to the public. Among the audience were officials of the Media Operations Department of BOCOG and Chaoyang District Government and gymnastics world champion Yang Bo.

The Great Wall Sheraton Hotel Beijing

The Great Wall Sheraton is delighted to announce a special "Vienna Spring Festival" to celebrate Vienna's distinctive cuisine and unique coffee house tradition.

The hotel has invited a team of chefs, including Master Pastry Chef Christine Egger from the European Training Center for Hospitality Tourism at Modul University in Vienna. Food will be served



buffet style for lunch (195 yuan ++) and dinner (268 yuan ++) in the Silk Road Restaurant and will be complemented by a selection of boutique Austrian wines, beers and schnapps. For reservations, please call (86-10) 6590 5566 ext 2117.

Regent Beijing Welcomes Former British Prime Minister Tony Blair

The Regent Beijing warmly welcomed the arrival of former British Prime Minister Tony Blair and his VIP delegation on March 17. Blair was invited to the Chinese Business Leadership in a



Low Carbon Economy Forum held in the Regent Ballroom the following day. The forum was organized by the Society of Entrepreneurs and Ecology and the Climate Group. Blair's trip to China is part of the "Breaking the Climate Deadlock" initiative that includes talks with leading business and political figures to push a green initiative.

Beijing International Hotel Announces International Cartoon Festival



On March 28, the Beijing International Hotel hosted the press conference of the Fourth International Cartoon and Animation Festival, which will take place in Hangzhou between April 28 and May 3. The organizers of this event include the State Administration of Radio, Film and Television, Zhejiang Provincial Government, Hangzhou Municipal Government and Zhejiang Radio and Television Group.

Cosplay carnival, which is part of the festival, has ended its tour of Shanghai and Guangzhou and will travel to another seven cities around China. The carnival in Beijing took place from March 29 to 30.

Sofitel Wanda Beijing

Françis Vanvi, Director of Sales & Marketing of Sofitel Wanda Beijing, has received a "2007 Excellent Hotel Professional Executive Award" from *Hotel Professional Executive* trade magazine. Françis was recognized for his leadership achievements in Beijing's hospitality market.

Françis, from France, brings with him more than 20 years of experience in the hospitality industry. He has held numerous senior management positions in some of the most prominent international hotels. Françis worked briefly as general manager of Lan Kwai Fong Hotel at Kau U Fong and Central Park Hotel. Prior to that, Françis was director of sales and marketing for three Marco Polo hotels in Hong Kong: Marco Polo Hongkong Hotel, Gateway and Prince. Before his new appointment at Sofitel Wanda Beijing, Françis was the director of sales and marketing at Marco Polo Parkside, Beijing.



OPERA

Opera Classic Gets a Happy Ending

Chinese composer writes a new score for the last 18 minutes of Puccini's *Turandot*

By ZAN JIFANG

It has long been the wishes of many classical opera fans and sopranos alike that the heroine of Italian composer Giacomo Puccini's classic *Turandot*, Princess Turandot, had her own aria. And now that wish has just come true. In the new edition of the opera presented by the National Center for the Performing Arts (NCPA) of China in March, the princess sang a beautiful and moving aria, named *The First Tears*, transforming herself in the process from a cold-hearted woman with infinite power into an ordinary girl falling in love with Prince Calaf, the hero of the opera.

The aria comes in the last 18 minutes of the opera, and was written by young Chinese composer Hao Weiya, making him the third composer in the world to score the final part

of Puccini's unfinished masterpiece. Besides the aria, Hao also wrote a duet for Turandot and Calaf.

As the opera tells an orient story and Puccini weaved the Chinese folk song *Jasmine* into his score, *Turandot* is widely believed to be connected to China, which is rare among the classic opera works in the world. *Turandot* is also Puccini's last work, and this year marks the 150th anniversary of the birth of the master composer, which is why the NCPA decided to produce and stage *Turandot* in its opening season.

The new ending is an attempt by the NCPA to give more substance to the inner feelings of the characters, especially in the final scenes of the opera. In the former two endings staged after Puccini's death in 1924, Hao said that while Princess Turandot was

finally moved by the sincerity and bravery of Prince Calaf and the death of Liu, a servant girl of Calaf's father, examining the inner emotions of the princess was not fully explored. Hao said for precisely this reason he had written the solo.

This idea has also aroused the interest of the Italy Foundation of Festival Puccini, which co-produced the NCPA's rendition in China, and is also a major reason for the copyright owner of Puccini's works to authorize Hao to write a new ending for the opera.

Hao once said that he would like to look at *Turandot* as an opera with a theme of love, despite the ancient fable, originating in Persia but set in China, telling the story of a cruel but beautiful princess who declares that any suitor must answer three riddles correctly, or be beheaded, in her quest to avoid marriage.



IN FULL CRY: A scene from the NCPA edition of *Turandot*, which has left Chinese audiences with a newfound appreciation of Western classical opera

“Princess Turandot should not be too tough and merciless throughout the opera, and she should become gentle and enjoy the feeling of loving and being loved in the end,” said Hao.

Besides the final aria, Hao has also added the element of Liu, who actually plays an important role in softening the princess’ heart. “Turandot’s tears in the end are for love and also for the death of Liu, and they are tears that show the strength of the power of love,” Hao said.

In fact, the other two leading characters, Prince Calaf and servant girl Liu, both have their own classical aria—*Nobody Shall Sleep* for Calaf and *Sir, Listen* for Liu. Hao hopes that the aria he wrote for the princess will be liked and remembered by opera lovers.

Hao insists he has kept the soul of the opera and followed the style of Puccini.

“Our principle is to respect the original version of the master, but it is more difficult to adhere to the original work than to create a new piece,” Hao said.

Turandot was produced 80 years ago, so it is inevitable that modern elements are added to continue to attract the audiences of today, said Hao. And as most people participating in the creation of the NCPA edition are Chinese it is a challenge to well blend the Chinese and contemporary elements in the new version, he said.

“Opera is rooted in the West, and it is rather difficult for people in the East to enter the world of opera. We are all novices in

terms of Western opera,” Hao said. “And we should learn from Western opera masters.”

According to Hao, who received the call to write a new ending from the NCPA in June 2006, he was influenced by three kinds of music sources. The first is Chinese music, as tradition says that an opera will use some elements of the country where it is performed. The second is the 23 pages of Puccini’s sketches and notes, with only minor changes made in choosing instruments. And the third source is his own music, which Hao hopes has merged so seamlessly into the original score that audiences will not be able to tell which part is his own creation.

After watching the NCPA edition of *Turandot*, Franco Moretti, General Manager of IFFP, said the last 18 minutes was beautiful, adding that he hoped Hao’s ending has created a new era. “The NCPA version is the most beautiful and moving *Turandot* that I have ever watched,” said Moretti.

“Mr. Hao has not only respected the opera art of Italy but also gives a fresh translation of the opera *Turandot*,” Moretti said. He also hopes the cooperation of both Italian and Chinese artists will make more Chinese familiar with Puccini and his works.

Moretti also said that the NCPA version of *Turandot* made him realize that absorbing Eastern cultural elements may be the future direction of the development of opera.

Lu Jia, a Rome-based Chinese conductor who conducted the NCPA rendition in turn with an Italian conductor, also expressed his appreciation of Hao’s creation following the style of the original piece. He thinks the use of instruments in the last 18 minutes is good as it carries a strong Chinese style. He also thinks that the new ending is more mature and closer to Puccini’s conception compared with the former two endings in developing the plot and unfolding the inward change of the Princess.

Such recognition and positive comments have greatly encouraged Hao, who admitted he had put in endless hours of research in trying to get into Puccini’s head.

The new edition of the opera proved to be a big hit in Beijing and is the grandest performance that the city’s new state of the art theater has presented to date, attracting some 14,000 people during its six-day performance. Princess Turandot and Prince Calaf were played successively by Italian soprano Giovanna Casolla and tenor Nicola Martinucci and Chinese soprano Sun Xiawei and tenors Dai Yuqiang and Wei Song.

At the debut of the NCPA edition of *Turandot* on March 21, representatives of the Italy Foundation of Festival Puccini granted the Puccini Achievement Award to Chen Ping, head of the NCPA, expressing the Foundation’s recognition of NCPA’s efforts in presenting a new version of *Turandot*. ■



DUAN YIGANG

DISCOVERY

The Dragon Bone Collectors

Finding of a dinosaur fossil skeleton sparks excitement among paleontologists and locals in a poor Henan village

By DING WENLEI

A villager's accidental discovery four years ago has made known to the world a rich mine of dinosaur fossils in Ruyang County, central China's Henan Province. At the same time, the fate of the small village has been changed.

Li Chui, a farmer in Shaping Village, thought he had found bones of a "dragon" when he dug up stones for his new house on an April morning in 2005.

Local residents had used the calcium-rich "dragon bones" as an ingredient in traditional medicine for decades. They either boiled them in soup to treat conditions such as dizziness or leg cramps, or ground them down into a paste and applied it to fractures and other injuries.

Those "dragon bones" were sold at about 1.4 yuan, or \$0.2, per kg in the area, and were the only income besides the average 1,500 yuan (\$214) local farmers reaped from the land every year.

Imagining he might make a fortune from them, Li told Cao Xiyun, an 85-year-old "dragon bone" dealer, about his discovery. Cao, who had suspected for years that the bones he collected could belong to some particular ancient animal, reported the finding to the Beijing-based Institute of Vertebrate Paleontology and Paleoanthropology of the Chinese Academy of Sciences.

Scientists led by Dong Zhiming, a dinosaur expert with the institute who has been responsible for naming a number of dinosaurs in China, spent two years unearthing and cleaning the bones. They concluded that the bones belong to Asia's tallest and heaviest dinosaur that lived 85 million to 100 million years ago. They named it the "Yellow River Dinosaur."

The excavation team also spotted more than 30 dinosaur fossil-rich sites in Liudian Town and Santun Town in Ruyang, said Dong at a press conference to release the latest paleontological findings last July.

Realizing how dear these bones were, local farmers dreamed of establishing a dinosaur-themed geopark there to attract tourists and develop the local economy. The proposal to establish such a geopark was finally approved by an assessment committee organized by the Henan Provincial Government at the end of 2007.

Research value

Measuring 18 meters from head to tail, the Yellow River Dinosaur lived in the early Cretaceous Period, unlike other dinosaurs inhabiting in China, such as those in Zigong, Sichuan Province. It was an exciting discovery for researchers as it filled a gap in China's dinosaur studies.

Another large sauropod dinosaur skeleton

was unearthed in Hongling Village in the same county on December 21, 2007. Experts with the excavation team believe the discovery of dinosaur fossils in Ruyang has important research value for the study of the huge, sauropod dinosaurs' distribution, migration patterns and evolution.

In 1993, large quantities of fossilized dinosaur eggs were discovered in Xixia County, about 200 km away from Ruyang. "It's a great discovery," said David Hone, a British paleontologist who works in Germany. "Dinosaur eggs and dinosaur skeletons were excavated successively in Henan, which will make the province a valuable spot in the global dinosaur research landscape."

But, as the practice of using "dragon bones" as medicine had been going on for at least two decades, Hone warned that "thousands, perhaps millions, of amazing specimens have probably been destroyed over the years," based on the quality, number and age of the discoveries.

According to Dong, the excavation team only excavated 40 percent of the fossil remains of the Yellow River Dinosaur in Shaping.

"I feel awfully sorry about it," said Cao when he knew the "dragon bones" were such a precious natural legacy and learned that the fossilized bones have no healing power. He estimated that he had sold several thousand kg of "dragon bones" over the decades.



ZHOU ZHONGGAO



GAO SHANYUE

(Left)
DELICATE JOB: Dong Zhiming, a dinosaur expert at the Chinese Academy of Sciences, leads the excavation of the Yellow River Dinosaur in Ruyang County, Henan Province

UNEARTHED: Paleontologists work at the site of a dinosaur fossil in Ruyang County, Henan Province

Cao, a former primary school teacher, had suspected these bones were ancient animal fossils and wrote to the Institute of Vertebrate Paleontology and Paleoanthropology of the Chinese Academy of Sciences in 1989. Dr. Lu Junchang, Dong's student and a researcher with the institute travelled to Ruyang to collect fossils in 1989, 1991 and 1993. As he was engaged in the excavation of dinosaur fossils in northwest China's Xinjiang Uygur Autonomous Region at that time, further research in Ruyang was postponed.

Thanks to Li's discovery, officials with the Henan Provincial Geological Museum decided to try their luck and organized a team of experts headed by Dong and Lu in November 2005. The excavation formally kicked off at the end of February 2006.

After two years' excavation, experts confirmed that there were at least 10 species of dinosaurs in the Ruyang and Luanchuan fossil-rich sites, including the world's smallest oviraptor less than 0.6 meters long, and named three new species found in China.

Economic benefits

Ruyang is a state-level poverty-stricken county. When villagers found out the bones were from dinosaurs, they donated 7,000 yuan (nearly \$800 then) to Dong and his colleagues for research, and helped them with the excavation work, hoping that the fossils would change their lives.

When the Henan Provincial Geological Museum announced plans to transport the fossils to the capital city of Zhengzhou for further research, local residents hid two packs of the fossils and refused to turn them over even when the police became involved.

The excavation of the giant dinosaur skeleton had once enkindled their dreams for a better life, but the humble dream was quenched—seven villagers who were entrusted with the task of protecting dinosaur fossils were arrested and sentenced to 6-12 months in prison for “interference with state functions” last November.

“We are so scared of poverty,” said villager Liu Shengjie. “We thought the dinosaur was a blessing and would attract tourists, but it turned out to be a curse.”

Zhao Wanquan, an official of Liudian Town, couldn't understand the situation either.

“We hope to keep these fossils and run a conservation program funded by the government so as to promote local economic development, just like what has happened in Xixia,” Zhao said.

Dr. Xu Li, Deputy Curator of the Henan Provincial Geological Museum, said they moved the fossils to the museum to ensure better research results, but she admitted that her museum needed the dinosaur skeleton of high research value to unveil a new exhibition hall.

The biggest wish of local farmers was to build a museum or a geopark to benefit the local economy. According to Dong, there are three conditions to meet for building a dinosaur-themed geopark: rich fossil resources, convenient traffic and ample research results.

“It's not good timing because the number of fossils excavated and the excavation area are far from enough in this county,” said Dong.

The national dinosaur geopark near the Liujia Gorge in Gansu Province, for example, has met difficulties in dinosaur footprint fossil protection recently, due to a lack of funding and inconvenient traffic, according to a *China News* report.

The geopark could only be reached via waterway. A round trip to the geopark from the Liujia Gorge costs 600 yuan (\$86), while the admission ticket is 40 yuan (\$5.7). Of the 20,000 tourists the park received last year, the majority were guests hosted by the local

government who did not buy tickets. Some unearthed footprints in the park are now in danger of being damaged due to the effect of weathering, said the report.

However, Chen Jing, a history and culture expert with Nanjing University, contended that on-the-spot protection of paleontologic relics is international practice.

“Damage is inevitable once the fossils are moved elsewhere,” said Chen. “The significance of dinosaur fossil excavation lies with its research value and it would be an ideal choice if the fossils helped to increase the income of local residents while serving research purposes.”

The good news is that approval from the Henan Provincial Government for a project to establish a geopark in Ruyang is under deliberation. The project, aimed at “active protection and rational development,” is expected to benefit the local environment and economy. ■



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Will Tax Cuts for the Wealthy Keep Them in China?

In March, Zhang Yin, the richest Chinese mainland in 2006 whose assets were estimated at 27 billion yuan (\$3.4 billion) then, proposed to cut the individual income tax rate for the country's wealthy. Her reason is that China's high tax burden has spooked many rich people and tax cuts would encourage high-income professionals to stay in the country.

China's individual income tax rate is currently capped at 45 percent, compared with 17 percent in Hong Kong, 30 percent in Singapore and Malaysia, and 35 percent in the United States.

Zhang suggested cutting the ceiling of the progressive individual income tax rate from the current 45 percent to 30 percent, making it lower than that in developed countries; and raising the cutoff point of the highest tax rate to 150,000 yuan (\$2,140) per month from 100,000 yuan (\$1,430) per month, while also raising the thresholds of taxable income for all citizens.

Zhang's proposal was applauded by many who believe that China's overly high individual income tax rate is emerging as a new bottleneck in the country's economic growth. Many multinationals, they say, are now basing their regional headquarters in other Asia-Pacific countries and regions to help their employees avoid high taxation.

They deny that lower income tax rates will increase the wealth gap as this part of tax revenue only accounts for about 3 percent of the national total, which can in no way balance wealth distribution.

However, not all people are supporters of new tax cuts. Some argue that as far as the high-income earners are concerned, the focus should be on tax evasion, rather than amounts of tax payable. While ordinary people whose monthly salaries exceed 2,000 yuan (\$300) have to pay tax on every additional yuan earned in accordance with the law, in most cases, the wealthy do not need to pay individual income tax, as they shuffle their daily expenditures into their company's cost accounts.

Moreover, it's unfair to say the rich are paying heavy taxes just because the tax rates are relatively high. In some sense, China provides a paradise for the rich. For example, China charges no inheritance tax and the state offers many preferential policies to businesses. In addition, high-income earners are taking advantage of far more social resources than the common people, although the latter greatly outnumber the former. Taxation means to balance national income distribution, so it's unacceptable to cut tax rates for the rich when the country's income gap is sharply widening.

Missing the point

Chen Qingui (hlj.rednet.cn): Individual income tax is an important means to redistribute social wealth and also a way to promote income equality.

China is now faced with two severe challenges: First, it is plagued with an extremely high Gini Coefficient, 0.47, which is higher than all developed countries and most of the developing countries and which is also the all-time high throughout Chinese history. The income gap in China has far exceeded the internationally recognized alert level, with a Gini Coefficient of 0.4. Moreover, the individual income tax seems unable to fulfill its obligation to redistribute social wealth in China. For years, it is the middle- and low-income earners who pay income tax while many of the top-income earners are avoiding and evading tax payments. This is an open secret in today's China. As a result, the income tax is playing a reverse role to what was intended, enlarging, instead of narrowing, the income gap. In this context, it's urgent to raise the thresholds of taxable income for average workers, rather than reducing the tax burden of the rich as proposed by Zhang.

Zhang's argument that high-income professionals will leave China because of the high individual income tax rates is unpersuasive.



Based on Abe Maslow's Hierarchy of Needs Theory, when they've already led a very comfortable life, the elite of society will no longer pay too much attention to material things such as tax rates, but they are more likely to seek cultural and spiritual inspiration and enjoyment. In other words, the tax rate is not the decisive factor in their choice to leave or stay.

Ye Tan (*The Beijing News*): As far as the individual income tax is concerned, the biggest headaches facing China are unfair tax burden and complicated and ineffective taxation scheme and procedures, instead of over-taxation on the wealthy.

The underdeveloped taxation system makes it possible for high-income earners to avoid and evade tax payments by transferring their individual expenditures to the categories of operation costs and cash trade. Therefore, most of the tax burden is transferred to ordinary workers, who contribute 40 percent of the country's total income tax revenues. In the meantime, the low tax cutoff point is causing dissatisfaction among low-income earners.

Rather than sharpening social conflict by cutting tax rates for the rich, the government should extend popular tax breaks in order to increase the enthusiasm and vitality of emerging businesses.

Wu Jie (www.xhby.net): Tax rates do affect taxpayers' incomes and they also impact on the macroeconomic and social development.

Both high and low tax rates have their advantages and disadvantages. While low rates can help to increase people's incomes and encourage the rich to create more wealth, thus promoting the economic growth in underdeveloped areas, high rates are not always bad. There are so many examples of high-tax welfare states in the world. Despite the extremely high tax rates, instead of being frightened away, many rich people are deeply attracted by the well-developed welfare system and safe social environment there, which further improves the national welfare. Therefore, if handled properly, high tax rates are also helpful.

The criteria to raise or cut tax rates should not be based on whether "the rich people will be frightened away."

Gao Zejin (www.chinavalues.net): In any society, it's reasonable to ask the rich to pay more taxes and it's all right to adopt a progressive tax rate to deal with rising incomes. Taxes are used to provide and improve public goods. The rich are undoubtedly the biggest beneficiaries. Although the Constitution says that everyone is equal, it can't change the fact that the rich are consuming more social resources and enjoying more privileges. In this sense, isn't it necessary for them to pay more taxes?

During China's prolonged social and

economic transitional period, the rich people's exclusive control of excessive resources and opportunities, which actually should be shared by more, is sharply widening the rich-poor gap.

Actually, as far as China's top income earners are concerned, their real tax burden is not too high, but too low, possibly unimaginably low, given the many privileges they enjoy in economic and social affairs.

Give the rich a break

Zhang Chunyang (www.cnhubei.com): China is already a paradise for the rich, who do not need to pay taxes on inherited wealth. Some argue that China's rich groups are already world famous for their tax evasion and avoidance.

The rich group is supposed to undertake more social responsibilities. Taxation is an important tool for the country to narrow the gap between the rich and the poor.

Let's have a deep and rational analysis of the tax rate.

in China's economic growth, weakening the country's competitiveness.

Many of China's neighbors and the world's major developed countries have much lower tax rates, supplemented by tax exemptions, refunds and so on. They also have much better developed social welfare and social security systems. China's tax rates have never changed since the country adopted individual income tax in 1980.

Extensive social welfare guarantees are the best demonstration of taxation equality while unreasonable taxation system will disturb economic growth and thus reduce social welfare.

Li Mingxu (*The Beijing News*): China's economy will be severely affected when the overly high tax burden forces tens of thousands of talented individuals and the regional headquarters of multinationals out of the country.

We believe that China's development needs the rich, as they are able to make bigger investment and thus employ more people and produce more.

Dear Readers,

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

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Editor: Yao Bin

Take Brazil for example, which also belongs to the developing camp like China. After Brazil cut its individual income tax rate from 27 percent to around 6 percent, the country saw its individual income taxes double. The reason is that the low tax rate attracted talented individuals from across the world.

Lower tax rates might affect the country's national tax revenues and even widen the rich-poor gap, but it will attract and keep those with skills. This will give a big push to China's economic growth.

Guo Lichang (www.chinacourt.org): How to improve the taxation system so that it will have the least negative impact on the country's economic and social development is always a big concern for the government and scholars. China's high-income earners are now pressed by high tax payments and the country's individual income taxation system is gradually becoming a new barrier

To cut the income tax rate for the rich might help to reduce tax evasion and avoidance, which is a frequent practice of the rich. A lower income tax rate will help to produce more rich people in China and at the same time more rich people will be attracted from throughout the world. An expanding tax base will boost the total tax revenues.

To cut the individual income tax rate for the rich will not necessarily widen the income gap between the high-income as well as middle- and low-income earners. The solution is very simple. While the ceiling of the progressive tax rate is lowered to 30 percent, the tax cutoff point can be further raised from the current 2,000 yuan/month to 5,000 yuan (\$714) per month or 8,000 yuan (\$1,143) per month. In this way, not only can the income gap be narrowed, but the low-income group can also have more disposable incomes. Meanwhile, more investors will be attracted by the low tax rate here. ■

Living and Dying



IN MEMORIUM:
Tomb Sweeping Day,
April 4 this year,
is the Chinese nation's
remembrance day to
honor their ancestors

By VALERIE SARTOR

"See that shop we just passed with the traditional silk clothes on those mannequins? Such shops only sew outfits for dead people. I bet you don't do that in the West," commented Mr. Yang, my erstwhile colleague. We were riding our bikes around the city after teaching a special course together.

"Well, we spend huge sums to embalm people, make them look like they're still alive and in the peak of health. We do dress our dead up well, but I doubt anyone orders special suits from exclusive shops for the journey to the netherworld. Do you believe in any afterlife or have a religion, Yang?" I asked, craning my head to look at him. With true Confucian rectitude he'd never discussed death or religion with me before.

"Chairman Mao Zedong was my god; you know that," he said. "So when I die I guess I'm going to hell because I believe in nothing at all anymore."

"Not even a little Buddhism? I thought most Chinese were Buddhists," I said, inspecting his face. My friend looked tired and pale. "Are you all right?"

"Just a cold, nothing serious," Yang replied. "My father died of lung cancer, that's why I refuse to smoke. My mother adopted some Christian beliefs after he died, but I think she was just looking for comfort and boredom relief. She still has a small Buddhist altar in her room, with a wooden Christian cross hanging above it. Kill many birds with one rock, correct?" He coughed softly and said. "But I really have lived my 50 years with no faith, no faith at all, if you disregard the Communist slogans I grew up. But as a good Chinese I honor and respect my ancestors."

"Do Chinese have holidays for their dead ancestors?" I countered, changing the subject.

"Yes, we have the Tomb Sweeping Day, when we show respect to ancestors by cleaning their grave sites, and the informal Ghost Day, when we burn paper money to send to them, and also the anniversary of the death day we send money and gifts to our dead by burning them also," he explained. "Even the dead have need for money, and delicious food, clothes, and, of course, love" He grinned widely.

"Chinese really believe in the afterlife?"

I asked my friend.

"Yes, especially in the countryside. Rural Chinese feel that a human being has two souls: the first is *gui*: this is the soul (or ghost/spirit)—it is considered to be part of the nature of the element *yin*; during life inside the body it is known as *po*. After a person dies the spirit lives on beside the body in the grave. According to legend jade, gold, pearls, and shells protect it from decay, thus keeping the two eternally united," he replied.

My friend coughed and continued, "It's complicated: the other soul is the *shen*—it is made up of the element yang. When *shen* resides in the living body it is called *qi*—that literally means breath or life force. When the *qi* leaves the body it becomes a wandering spirit called *ming*. Meanwhile the *shen*, after a person dies, can also live in the grave or around the gravestone for a while, but it eventually rises on wings and heads to a sky paradise, the 'Islands of the Blessed'."

"Dying sure is a big deal in China," I remarked politely.

"Living is better," Yang answered. "Let's go eat!" ■

EXPATS, WE NEED YOUR STORIES!

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