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Showroom opening to attract buyers of hand-assembled cars > p13

## CHANCE RELATIONS

Outlining the high stakes in future China-US ties

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Flower seeds made a tour beyond Earth

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# CHINADAILY

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## CHARACTER BUILDING

PHOTO BY SUN CHENBEI / CHINA DAILY

From left: Li Xiaolin, president of the Chinese People's Association for Friendship with Foreign Countries; Cui Tiankai, Chinese ambassador to the US; Stuart Holliday, president and CEO of Meridian International Center; and Curtis Sandberg, senior vice-president for the arts at the Meridian International Center, watch Chen Ping, a professor of China Central Academy of Fine Arts, demonstrating his calligraphy work on Tuesday at the Meridian House, where a two-day exhibition of Chinese fan paintings is being held. See story on page 2.

## DC to build Ming-Qing classic garden

By KELLY CHUNG

DAWSON in New York  
kdawson@chinadailyusa.com

A classical Chinese garden will be installed at the US National Arboretum in Washington DC, in a joint collaboration between China and the US. Featuring a series

of open pavilions, a pond and traditional Chinese buildings with Ming and Qing-style furnishings, the garden will showcase Chinese fauna and landscaping, and will be open to the public.

"Our goal is to create a symbol of good will between China and the US, and to strengthen

the platform for US-China relations," said Bob Stallman, president of the National China Garden Foundation. "A large part of the US population still doesn't understand much about Chinese culture, and this will be an opportunity to see the beautiful tranquility of a Chinese classical garden,

and be exposed to a sampling of Chinese arts and culture." Although the project was initiated in 2004 as the result of an agreement between the US Department of Agriculture and China's Ministry of Forestry, plans stalled for several years. In 2008 the new Farm Bill authorized the Secretary

of Agriculture to proceed with private fund-raising for the garden, and in 2011, China's former ambassador to the US, Zhang Yesui, and US Secretary of Agriculture Tom Vilsack signed an updated Memoranda of Understanding.

SEE "GARDEN" PAGE 3

## Slowing growth hits FDI

By DING QINGFEN  
and LYU CHANG

Growth of China's foreign direct investment in May dropped to just under 0.3 percent, an indicator that global companies remain hesitant to expand in China amid its economic slowdown.

According to the Ministry of Commerce, FDI was up just 0.29 percent from a year earlier to \$9.26 billion, compared with a 0.4 percent increase in April and the slowest growth since February.

While China's FDI growth decelerated, its outbound direct investment saw robust gains, expanding by some 20 percent in the first five months of this year to \$34.3 billion, according to the ministry.

The decelerating growth in inbound direct investment comes while the world's second-largest economy is further losing growth momentum. The economy grew at its slowest pace for 13 years in 2012.

But Shen Danyang, spokesman for the ministry, rebutted the notion that the nation is losing its appeal to multina-

tionals as an FDI destination.

He said that "from a global perspective, China's FDI trend remains comparatively stable and good ... and positive growth (in FDI) for four consecutive months, to a large extent, shows the recognition of global investors on the competitiveness of the Chinese economy and the nation's investment environment."

Shen added: "I have to repeat that China's FDI growth this year will remain stable."

FDI in 2012 hit a record high of \$111.7 billion. The nation has remained the most attractive FDI destination among developing countries for more than a decade.

But 2012 was the first year that the nation saw a drop in its annual FDI since 2009.

According to the ministry, during the first five months of 2013, FDI was up just slightly more than 1 percent from a year earlier to \$47.6 billion, mainly led by developed nations and regions.

Investment from the United States was up by 22.6 percent, and that from the European Union increased 24.1 percent from January to May.

During a meeting with executives from more than 10 multinational companies that were to attend the Fortune Global Forum 2013 in

Chengdu earlier this month, Premier Li Keqiang tried to clear up the foreign businesses' doubts by saying that "China has the ability and conditions" to sustain economic growth and "China will be committed to deepening the reform and opening-up policy."

Li encouraged the foreign companies to "cash in on the huge opportunities resulting from the nation's economic development and efforts toward industrialization and urbanization."

"Short-term fluctuations (in FDI) should not be a big concern. We have to see the bigger picture," said Wang Zhile, a senior researcher on foreign investment at the Chinese Academy of International Trade and Economic Cooperation.

"Undoubtedly, the new Chinese leadership is very enthusiastic about furthering its opening-up policy and attracting foreign companies. This is a very positive signal for China's prospects on FDI," he said.

James Lee, regional director of the Institute of Chartered Accountants in England and Wales in China, agreed.

Contact the writers at  
dingqingfen@chinadaily.com.cn and lvchang@chinadaily.com.cn

## IN THE NEWS

### CHINA Not safe enough

Ongoing nationwide inspections of work safety have revealed potential risks are still common. > p5

### Getting tough

The top court and procuratorate jointly issued an interpretation on the conviction and sentencing standards of criminal cases involving environmental pollution on Tuesday. > p4

### Off the shelves

About one-third of baby formula companies will be axed in a market consolidation that experts say will help ensure dairy product quality. > p6

### BUSINESS All about money

A price war has flared up again among e-commerce websites, nine months after government officials accused them of "fooling consumers with promotional activities". > p15

### LIFE Metal-hearted

There are many celebrity animals, but none is more famous in China at the moment than a woolly creature that lives in

Tianjin. > p10

### Zen in sports



Monks from a famous temple say their enthusiasm for badminton is a natural part of their monastic life. > p9

### ACROSS AMERICA Avoiding conflict

China is making economically vital deals in the Middle East by maintaining contact with the region's parties and outside powers such as the United States without becoming embroiled in conflict, says US foreign policy adviser Vali Nasr. > p2

### FOCUS Love and care

China Daily reporter on board the hospital ship Peace Ark will bring us regular reports throughout its 118-day aid voyage. > p8

## The 'Long March' to Tinseltown

By LIU WEI in Shanghai  
liuw@chinadaily.com.cn

The next *Kung Fu Panda* will be the brainchild of both American and Chinese filmmakers and production will start in August, says Peter Li, managing director of China Media Capital, co-investor of Oriental DreamWorks, a joint venture with DreamWorks Animation.

CMC co-founded Oriental DreamWorks in 2012 with DreamWorks, Shanghai Media Group and Shanghai Alliance Investment, with the aim of producing and distributing animated and live-action content for Chinese and global markets.

The Chinese team contributes not only investment to *Kung Fu Panda 3*, but also the script, by collecting material about the Chinese elements to be featured in the new installment of the global hit, scheduled for release in 2015, says Li on the sidelines of the ongoing Shanghai International Film Festival, which runs from June 15 to 23.

Chinese staff will also take part in production and learn from the world's top animators in process management and story telling.

"To learn from Hollywood animation artists by working together with them is the only way for Chinese animators to grow stronger," Li says.

CMC is not the only Chinese film industry player to partner Hollywood and it is a growing trend.

"China's film market grows so fast that the annual box office revenue will reach 20 billion yuan (\$3.3 billion) this year and 30 billion yuan in two or three years, which will be about half of the box office of the United States," says Wang Ran, CEO of China eCapital Corporation.

"The gap between the Chinese and US film markets is being narrowed down. In two or three years more Chinese companies will be able to acquire second-tier Hollywood companies."

Ben Ji, managing director of Reach Glory Media Group, says so far acquisitions of Hollywood companies by Chinese are at the lower end of the industry chain, such as post-production companies or theaters.

Ji calls the trend a "Long March", referring to the 1934-36 trek by the Chinese Red Army over snowy mountains and marshes.

"It is a long way to go," he says, "but I believe as the Chinese film market keeps growing so fast, it is totally possible that Chinese capital will hold shares in the major six Hollywood studios. It is just a matter of time."

China's Wanda Cultural Group is one of the pioneers in this process. In 2012 Wanda acquired AMC, the second largest theater chain in North America, for \$2.6 billion.

What Ye Ning, the group's vice-president, has learned from the following integration is, first of all, trust and respect.

"The managing team of AMC was worried that we would send a group of yellow faces to replace them," Ye says, "but we studied their resumes and found most of them had worked for the company for more than 10 years and know well how to run theaters, so we kept most of them in their positions."

Wanda's logo, he says, was not added before AMC in any of its theaters.

What should not be imposed on a purchased Hollywood facility are different values, in the opinion of Sid Ganis, former president of Sony Pictures. Ganis held various positions at Sony Pictures, including vice chairman of Columbia Pictures, after the Japanese company bought it in 1989. "It is more about integration, not conquering Hollywood," he comments on the Beijing's entry to Hollywood.

One of the reasons that Columbia Pictures retained its momentum after being purchased by Sony is that the parent company seldom imposed its values on film projects. Ganis says there was just one such case that he recalls.

"We were making a comedy about judo, and they asked, very nicely, 'don't make fun of our culture.' It was not an order, but a request," Ganis says.

"If Akio Morita (co-founder of Sony) tried to impose Japanese values on a US institution, he would soon find what he bought were just empty sound-stages."

Therefore, ambitious Chinese companies that try telling Chinese stories and delivering Chinese culture in their work with their Hollywood partners should be patient and savvy.

CMC is working with DreamWorks and China Film Group to adapt *The Tibet Code*, a popular novel that has sold over 10 million copies in China.



GENG FEIFEI / CHINA DAILY

The global success of *Kung Fu Panda* is a factor that attracts Chinese filmmakers to join the production of the movie's next installment.





# US-China relations a must win

By CHEN JIA  
in Los Angeles  
chenjia@chinadailyusa.com

American think tanks believe that China and the US will have tremendous opportunities for cooperation in the next 10 years, and the top three items on their work agenda should be energy, tourism, and science and technology.

"The stakes are large, for both success and failure," said Stanford economist Michael Boskin, "so the relationship needs to succeed."

Making his remarks at a panel discussion of a new study — "US-China 2022: Economic Relations in the Next 10 Years" — held by the China-US Exchange Foundation and the Committee of 100 in Los Angeles on Monday, Boskin added that the US and China's bilateral economic relationship has progressed from "virtual nonexistence to the world's most important in one generation. We have a large national interest in each other's economic success."

Dominic Ng, chairman of the Committee of 100, told China Daily at Monday's panel that the "groundbreaking study explores the dynamic evolution of US-China economic relations over the last three decades and identifies key opportunities for future bilateral cooperation", something that will benefit not just China and the US, but the whole world.

He said that frequent high-level official communications had a positive influence on the economic and cultural give-and-take between China and the US. He mentioned Chinese President Xi Jinping's two-day "shirt-sleeve" summit with US President Obama in California



Dominic Ng (left), chairman of the Committee of 100 as well as chairman and CEO of East West Bank, interacts with Peter Seligmann, CEO and co-founder of Conservation International, at a panel discussion on Monday in Los Angeles.

last week as a "golden opportunity to build a better personal rapport and mutual trust".

The study said that China was growing at almost 10 percent 30 years ago, but its impact on the global economy was small. After 20 years of this scale of growth, China has developed a \$7.5 trillion dollar economy.

The growth of China and the developing world will lead to a doubling of the global economy in 10 to 15 years and probably a tripling in another 15 years, it said.

In 2010, exports of goods and services between the US and China created 730,000

jobs in the US and 11.4 million jobs in China, the study found.

Also, if current trends continue, by 2015 East Asia will surpass the US in terms of aggregate GDP, with China contributing the highest proportion of the total.

China's real GDP is projected to catch up to the US in approximately 16 years, at which time both Chinese and US real GDP will exceed \$25 trillion, more than 3 times the current GDP. By 2028, China and the US will each account for about 15 percent of the world's GDP.

However, the study also projected that by 2030 Chi-

nese real GDP per capita to be \$19,960, which will still be only slightly more than a quarter of projected US per capital real GDP of \$76,750.

Boskin said that China is escaping the "middle-income trap", with a large, rapidly growing middle class, which forms a large fraction of the world's growth of spending.

"If China is eventually to achieve high income — a feat very few middle-income countries manage to do — it will have to move up the value-added chain, rely much less on state direction of the economy, and decrease corruption," he said.

He pointed out that China also faces increased competition from still lower-cost countries, especially as Chinese wages grow.

Tensions over issues like cyber security, tariffs and subsidies, and currency, also go hand-in-hand with the China-US relationship, he added.

The aim of the study was "to put these frictions and misunderstanding in perspective and, particularly, to identify potential economic benefits both sides may enjoy in the next decade," said Victor K. Fung, vice chairman of the China-US Exchange Foundation.

## Beijing makes progress in the Mideast

By MICHAEL BARRIS  
in New York  
michaelbarris@chinadailyusa.com

China is making economically vital deals in the Middle East by maintaining contact with the region's parties and outside powers such as the United States without becoming embroiled in conflict, says US foreign policy adviser Vali Nasr.

"They're doing it with cooperation, they're also doing it with bilateral relationships," Nasr said in an interview following a talk he delivered Monday at the Asia Society. "They generally have avoided antagonism and they have avoided conflict, and that's what gives them the ability to expand despite all the conflicts that go on in the region."

Nasr's remarks on the US

and China in the Middle East repeated ideas advanced in his new book, *The Dispensable Nation: American Foreign Policy in Retreat*. In the book, the dean of the Paul H. Nitze School of Advanced International Studies at Johns Hopkins University and the former senior adviser to the US Special Representative for Afghanistan and Pakistan criticizes President Barack Obama's administration for failing to help new governments in the Mideast move toward democracy and reform their economies.

Asked if China's good relations in the troubled region would continue, Nasr, who also is a senior fellow in foreign policy at the Brookings Institution and a member of the US Department of State's Foreign Affairs Policy Board, said, "There's no reason why it wouldn't."

Since 2009, China has been stepping up its Mideast trade missions, tourists and investments — particularly in petrochemicals — as it pursues the region's fuels for its growing economy.

China has so far been able to balance its support for the Palestinian cause and heavy reliance on Saudi oil with its pursuit of Israeli high-tech imports and know-how in areas from paramilitary training to water management. It is expected to assume a more important role in Mideast politics as its economic stake in the region increases.

Nasr spoke on the eve of a UN-sponsored conference in Beijing that is part of China's quest for greater diplomatic influence in the Mideast. At the Beijing forum on Tuesday, the Palestinian envoy to the UN praised China's grow-

ing involvement in the Mideast peace process, saying it enhances efforts of other nations and should continue to expand.

In his remarks to the Manhattan-based Asia Society, Nasr said the Obama administration's well-publicized "pivot" to the Asia-Pacific region actually is undermining the US's standing instead of bolstering it because the administration's "hands-off" policy regarding Asia runs counter to the need to establish democracy in the region.

"The Obama administration, and I think the president himself, is very happy to wash his hands of the Middle East and downgrade the Middle East in global strategy," Nasr said. "But the Middle East refuses to play ball. That actually is producing crisis after crisis."

His book explains this claim in more detail, arguing that "the Obama administration has neither come up with a strategy for capitalizing on the opportunity that the Arab Spring presented nor adequately prepared for potential fallout in the form of regional rivalry, the explosion of sectarian tensions and deep-rooted economic crises."

As a member of the State Department's foreign affairs policy board, an entity founded in late 2011 and hand-picked by then Secretary of State Hillary Clinton, Nasr serves the US government in a "solely advisory capacity," according to the agency's website. The board's function is to provide the secretary of state and high-level staff with "independent, informed advice and opinion concerning matters of US foreign policy" while meeting three times a year, according to the website.

## Fan paintings bridge two cultures

By CHEN WEIHUA  
in Washington  
chenweihua@chinadailyusa.com

For most Americans, the folding fans which they find in Chinatown stores are used to bring a cool breeze in hot summer, like in Washington DC these days.

But at the landmark Meridian House, a Louis XVI style of architecture in the US capital on Tuesday, visitors were captivated by 40 Chinese fan paintings on display. The exhibits, often a combination of painting and calligraphy, feature landscapes, flowers, birds and people in both modern and ancient times.

The art form became popular in China in the Northern and Southern Dynasties (AD 420-581) and matured during the Tang Dynasty (AD 618-907).

Randal Teague, from Rodeo China, an organization that promotes cultural exchange between China and the United States, said many people might expect to see ancient paintings and fans, which were the usual arrangement in the past.

"You see not the China of many years ago, but China of today, some done this year," said Teague, who had just visited the show.

Zhao Wei, vice-president of China National Academy of Painting, agreed, saying that Americans had lots of contact with ancient Chinese paintings, but not a lot with the modern Chinese artists who have inherited the tradition.

He said fan paintings, which are relatively small in size, match perfectly with the style of the Meridian House.

"The elegance and scholarly flavor of the fan paintings not only match well with the architecture, but also reflect the Chinese philosophy that harmony is essential," said Zhao, whose works were also on display.

The fan painting exhibition, Beautiful China, is being held on Tuesday and Wednesday by the China National Academy of Painting and Chinese People's Association for Friendship with Foreign Countries.

Li Xiaolin, president of the association, said the artist delegation she brought this time has met several US congressmen, and shown them Chinese culture, history and also the vision and hope of the Chinese people for peace.

"I sincerely hope our exhibition can serve as a bridge to bring our art and souls closer and add more delightful colors for our bilateral relations," said Li, a painter herself.

"I firmly believe the cultural exchange could be an effective



**You see not the China of many years ago, but China of today, some done this year."**

RANDAL TEAGUE  
RODEO CHINA

channel to deepen our friendship and mutual understanding."

In front of a crowd of Chinese and Americans, Chen Ping, a professor at China Central Academy of Fine Arts, instilled Li's messages in his calligraphy work demonstration.

Stuart Holliday, president and CEO of Meridian International Center, a non-profit organization promoting global exchange and cooperation, described the fan paintings as "interesting".

"It's not just beautiful art, but a utilitarian object, an object that is used every day and it's important to Chinese culture," said Holliday, who served as US ambassador for special political affairs at the United Nations from 2003 to 2005.

Holliday said the Meridian Center provides a place for people to appreciate and understand other cultures. He and his staff have been busy traveling the world, including China, to promote cultural exchanges.

In April, the center held a photo exhibition about jazz diplomacy in Shanghai's Peace Hotel.

A similar show was held in Beijing's National Center for Performing Art a year ago. They are all part of the activities held under Meridian Center's American-Chinese Cultural Initiative (ACCI), launched in 2011 to promote cultural understanding between the two countries.

A participant of 2012 Consultations on People-to-People Exchanges in Beijing, Holliday is also looking forward to this year's consultation to be held in Washington next month.

It is part of the annual Strategic and Economic Dialogue between the two governments, following the summit between Chinese President Xi Jinping and President Obama in Sunnylands, California, 10 days ago.

While delegates from both governments may dispute a wide range of issues on trade and security at the S&ED, Holliday said there is no disagreement when it comes to cultural and people-to-people exchanges. "We actually get something done," he said.

## Experts predict conflicting policies over Asian trade pacts

By JOSEPH BORIS  
in Washington  
josephboris@chinadailyusa.com

Chinese President Xi Jinping's recent request that US President Barack Obama keep him updated on progress in talks over the Trans-Pacific Partnership was ambiguous — not necessarily a sign of China's willingness to join the huge proposed free-trade accord but not an expression of skepticism either.

Since the two leaders met in California nearly two weeks ago, observers of US-China relations have been wondering if Beijing might flesh out a Commerce Ministry spokesman's May 30 statement that the government is studying the possibility of joining the US and 11 other countries now negotiating the TPP.

"In a practical sense, it would be very difficult to incorporate China into the negotiations at this stage," said Matthew Goodman, who was a senior US adviser on Asia economic policy in Obama's first-term administration. "I don't think China, even if it expresses interest and seriously considers it, is going to be ready, willing and able to join."

In addition, the talks would be hard-pressed to absorb participation of the world's second-biggest economy, he told a Washington think tank audience on Tuesday.

Goodman and others on the panel compared and contrasted the TPP with the Regional Comprehensive Economic Partnership, a trade pact China and 15 other Asian countries began negotiating in May. Because China is absent from

one set of talks but engaged in the other, some experts have predicted conflicting policies in international trade if the two agreements aren't eventually combined.

Further fueling confusion are complex and probably lengthy free-trade talks between the US and the European Union, which began on Monday; China's ongoing negotiations with Japan and the Republic of Korea toward a three-way trade agreement; and the question of whether China is welcome in the TPP. US officials have said Chinese participation would depend on all 12 parties, including new member Japan, being satisfied that Beijing could and would meet the proposed treaty's standards.

Prior to the ministry spokesman's remarks three weeks ago, Chinese officials had publicly

expressed either skepticism about the TPP or rebuked it as a US-led effort to contain the country economically.

"It's not clear to me that the US wants China in [the] TPP, at least during the negotiating phase, because if the whole premise of this is asymmetric globalization, if China is in on the negotiation, it could sink because China's too big," said Arvind Subramanian, who researches trade issues at both the Center for Global Development and the conservative Peterson Institute for International Economics.

From a US perspective, China's entry "could undermine the fundamental logic" of the TPP, Subramanian said, suggesting that Washington might want Beijing to join once talks are finalized and standards in place.

He and Goodman, the for-

mer White House aide who's now a scholar at the Center for Strategic and International Studies, differed as to how the TPP may fit with broader US strategic aims in the Asia-Pacific region. But they and their two fellow panelists in Tuesday's discussion agreed that any hesitancy over Chinese participation in the pact, from the US or others, is more likely due to practical considerations than hostility.

It was pointed out that the Association of Southeast Asian Nations, under whose auspices the RCEP talks are proceeding and which includes three members — Brunei, Malaysia and Vietnam — also in the TPP, is generally seen by member governments as their central means of setting regional trade policies. Ten-member ASEAN was the world's only subregion

to experience faster economic growth in 2012 than the previous year (5.5 percent from 4.7 percent), according to the Asian Development Bank.

As some European economies fight debt and recession, and the US and Japanese recoveries remain slow, the region's midsize countries see their future trade and investment tied to each other as well as to the giant Chinese economy, said Meredith Miller, who studies trade, economics and energy as director of the Washington office of the nonprofit National Bureau of Asian Research.

She said the RCEP is crucial to maintaining the regional "primacy" of ASEAN, whose members have pledged free movement of goods, services and labor, and preserving cohesive trade strategies in dealing with non-bloc powers

China and India.

In contrast, Miller said the TPP "is an initiative that Southeast Asian economies are evaluating on more of an individual basis in terms of their own political and economic goals and, frankly, whether or not they have the political will to undertake the comprehensive commitments that are required" by the US-led pact.

Its members have said the TPP, whose 18th round of talks begins in July, will be finalized and ready for ratification by individual governments this year. But the treaty's complexity, and potential political fights over US trade policy in 2014 congressional elections, makes that timetable unrealistic, said Sourabh Gupta, a researcher on Asia-Pacific trade policy for consulting firm Samuels International Associates.



## “QUOTABLE

“We’re working to build a platform to support exchanges between Shaolin disciples and kung fu lovers across the world.”

**SHI YONGXIN**, abbot of the Shaolin Buddhist temple in Dengfeng, Henan province, said on the temple’s first cultural festival in the United States, Xinhua News Agency reported. The first North America Shaolin Cultural Festival, part of the temple’s efforts to expand its global influence, is scheduled for Oct 8 to 14 in Los Angeles. Known as the cradle of Chinese kung fu, the temple has hosted the annual Shaolin Temple Day in California for nine consecutive years, Shi said.

## THE NUMBER

118.07

MILLION YUAN

Some 70,000 people falsely claimed 118.07 million yuan (\$19.26 million) in social insurance payments in 2012, the Ministry of Human Resources and Social Security found after an investigation. The ministry said on Tuesday that 113.89 million yuan has been recovered.

## ON THE WEB

Highlights from  
chinadaily.com.cn



**Photo:** A red panda eats bamboo at the Straits Panda Research Center in Fuzhou, Fujian province. Three red pandas, Huan Huan, Mei Ke and Ya Ya, will be sent as gifts to Taipei.

**Bilingual:** Designed by advertising agency Fischer & Friends, the “offline glass” is designed to “save people from the online world”. A section of the base of the glass has been cut out to make drinkers focus on their friends, rather than their screens.

**Buzzword:** Friend-jacking describes the situation when someone who is new to a social circle ends up becoming more important and loved in that group than the person who introduced them to the circle.

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## HOT WHEELS

PHOTO BY XIANG MINGCHAO / CHINA DAILY

A woman on a motorscooter in Shigu county, Henan province, uses an extra large umbrella to fend off the heat. The maximum temperature reached 36 C on Tuesday.

# around china

### GUANGXI

#### Border police seize smuggled reptiles

Border police in the Guangxi Zhuang autonomous region seized a large number of snakes and tortoises in a suspected cross-border smuggling case. The reptiles, contained in about 160 boxes aboard a truck, were confiscated in Fangchenggang on Saturday, according to the regional public security border defense forces on Tuesday. Most of the animals were alive. The truck driver said he was hired to transport them to Guangzhou, Guangdong province.

### JIANGSU

#### Officer hurt while saving woman

A police officer in Xuzhou, Jiangsu province, was seriously injured when he rescued a woman trying to jump from the balcony of a high-rise building on Sunday, Chinanews.com reported on Tuesday. Zong Deyu led officers who saved the woman, but he broke an arm and a leg when the woman fell to the balcony floor. After a five-hour operation, Zong was in stable condition. The woman was not injured.

### JIANGXI

#### Boy dies aboard kindergarten bus

A 5-year-old boy died in hospital in Jiangxi province after a driver at a kindergarten left him on a school bus. Xu Yaxi lived in a village in Dexing and took the bus to the kindergarten. On Mon-

day morning, bus driver Yin Chunhua took children to the kindergarten but did not see Xu was still aboard. The boy was only found in the afternoon, the local government’s publicity department said on Tuesday. Yin and the kindergarten manager were held by police.

### YUNNAN

#### Four arrested in fake cash case

The public security office at Kaiyuan railway station in Yunnan province arrested four people suspected of transporting counterfeit money and seized more than 400,000 yuan (\$65,194) in counterfeit notes, China National Radio reported on Tuesday. It said the four have admitted to buying the counterfeit money at a price of eight yuan for one 100-yuan note in Hunan province and planned to sell the money in border areas.

### GUANGDONG

#### Faulty-elevator worker charged

An elevator maintenance worker has been charged with causing a major liability accident in Shenzhen, Guangdong province, after a woman died when an elevator malfunctioned, Nanfang Daily reported on Tuesday. The 24-year-old nursing intern died on May 15 after she became stuck in the doors when the elevator suddenly malfunctioned, stopped between floors and then moved sharply up and down in the Changhong Building. Investigations showed the maintenance

worker did not follow safety management regulations.

### HEBEI

#### Nude beach to promote tourism

A nude beach, the first in northern China, will be built to promote tourism in Luanxian county, Hebei province, the county government said at an investment promotion fair. The county will invest 3.2 billion yuan (\$522 million) on a project featuring cultural tourism, said Tian Wenxue, deputy head of the county. Facilities including a golf course, equestrian venue and nude beach will be built, he said.

### CHONGQING

#### Schools stop in hot weather

Students at some middle and primary schools in Chongqing were allowed to leave school at noon as temperatures soared, China News Service reported. The Chongqing meteorological authority on Tuesday issued an orange alert (the second highest), warning of high temperatures for the third day in a row. Workers at building sites were ordered to stop working between 11 am and 2 pm.

### BEIJING

#### Woman arrested for false accusation

Police arrested a woman for falsely claiming online that she had seen a golden retriever killed by three policemen, the Haidian branch of the Beijing Public Security Bureau

said on Tuesday. The woman spread the rumor on Sina Weibo on June 12. The police checked surveillance footage from the area where the woman claimed the incident happened and interviewed residents, but did not find any evidence to support her claim.

#### Capital on alert for Middle East virus

Beijing cannot rule out the possibility of new SARS-like coronavirus MERS-CoV infections, the Beijing Municipal Bureau of Health said on Monday. The virus originated in the Middle East. The bureau called for vigilance among the public and urged travelers returning from the Middle East who develop respiratory infections to see a doctor as soon as possible, according to Beijing Times. Beijing has launched a 24-hour clinical service with 110 participating experts on call.

### HENAN

#### Zookeeper killed by brown bear

The forestry authorities in Xinmi, Henan province, detained the owner of a zoo in the city after a keeper was bitten to death by a brown bear, Dahe Daily reported. The bear mauled the keeper, Chu Haisong, as he tried to drive it into its cage on Monday afternoon. The bear then dragged the keeper into its cage and bit him. The bear was later tranquilized by police and sent to Zhengzhou City Zoo in the provincial capital.

XINHUA — CHINA DAILY

# Bus falls into valley; 13 die

By MAO WEIHUA

in Changji

and CUI JIA in Kashgar

At least 13 people were killed after a bus with 36 passengers fell into a valley in Northwest China’s Xinjiang Uygur autonomous region on Tuesday afternoon.

The accident happened at around 5:15 pm in an area with an average altitude of 2,000 meters near Miaogou village, in the Changji Hui autonomous prefecture. The passengers were employees of a local company who were returning after touring an attraction near the village, the Xinjiang information office said on Tuesday evening.

The bus, which was not overloaded, rolled over and fell about 40 meters into the valley. The road on

which it was traveling was wet and muddy because it had rained during the day, the Changji public security bureau said. According to initial investigations, mist and poor visibility might be partly to blame for the accident.

Mist in the valley has also hampered rescue work, but all the passengers have been transferred to hospitals in Changji city, capital of the prefecture, police said.

Although the rain has stopped, the road on which the accident occurred remained slippery late on Tuesday night. The wreckage of the bus was still in the valley and authorities’ investigations continued.

Contact the writers at [mao-weihua@chinadaily.com.cn](mailto:mao-weihua@chinadaily.com.cn) and [cuijia@chinadaily.com.cn](mailto:cuijia@chinadaily.com.cn)

# FTA will help ease tensions

By LI JIABAO

in Weihai, Shandong,

and ZHAO YINAN in Tianjin

The free trade talks involving China, Japan and South Korea must be accelerated to help ease political tensions and meet challenges from other FTAs, officials said on Tuesday.

“Whatever the political relations, the FTA will go on as the three sides pursue win-win-

win results and mutual economic benefits,” Shin Bong-kil, secretary-general of the Trilateral Cooperation Secretariat, told China Daily.

The secretariat was established on Sept 1, 2011, to promote peace and common prosperity among the three countries.

Negotiators had their first round of talks on a free trade agreement in Seoul in March despite turbulent political relations in East Asia. Once established, the FTA will forge a common market of 1.5 billion people with a combined GDP of \$15 trillion to become the world’s third-largest regional market, following the North American FTA and the European Union.

Yu Jianhua, China’s deputy international trade negotiator at the Ministry of Commerce, said at a seminar in Weihai, Shandong province, on Tuesday that the second round of negotiations will be held at the end of July in Shanghai and the third will be held in Japan at the end of this year.

The FTA will act as a stepping stone for economic integration in East Asia, he said.

Shin noted that relations among the three countries are undergoing turbulence and political tensions, but upon economic interdependency there is “a growing demand for a free, open and rule-based multilateral trading system to boost the economic welfare of the three countries.”

Zhuang Rui, deputy dean of the Institute of International Economy at the University of International Business and Economics in Beijing, said, “The FTA talks are vulnerable to political turbulence but the essence and orientation will not change.”

The three major econo-

mies in East Asia are aiming at a comprehensive and high-level agreement, covering not only trade in goods, services and investment, but also areas such as intellectual property, transparency, e-commerce and environment, said Woo Tae-hee, assistant minister for trade of South Korea.

“How to properly handle sensitive areas will be the challenge and difficulty for future negotiations and will demand great efforts to overcome domestic obstacles,” Yu said.

Experts and academics said earlier that these obstacles may include agriculture, manufacturing and state sectors.

“Strong confidence and a down-to-earth approach for advancing the negotiations are key for the success of the trilateral FTA, while the three parties should come up with flexible negotiation plans with long-term and strategic vision,” Yu said.

Shin said strong political will and adherence to a win-win-win result are essential to the success of consensus building in sensitive areas.

In addition to political tensions and obstacles from sensitive areas in each country, the FTA is also subject to pressure from other trade agreements.

Before the start of the G8 summit in Lough Erne, Northern Ireland, the EU and the United States on Monday launched formal negotiations on a vast trade pact, which could be the biggest bilateral deal in history, and the first round of negotiations would take place in Washington next month.

“The trade pact between the EU and the US will boost trade between the two and hence challenge China’s trade competitiveness,” said Zhuang from the University of International Business and Economics.

Exporters in Japan and South Korea will also be affected as the EU and the US are the final destinations for many Japanese and South Korean exports, even though they are manufactured in China, she said.

Contact the writers at [lijiaobao@chinadaily.com.cn](mailto:lijiaobao@chinadaily.com.cn) and [zhaoyinan@chinadaily.com.cn](mailto:zhaoyinan@chinadaily.com.cn)

# 'Thorough cleanup' of undesirable styles

Party members urged to adopt 'mass line' to improve their ties with public

By ZHAO YINAN  
zhaoyinan@chinadaily.com.cn

Xi Jinping, leader of the Communist Party of China, said Tuesday that the CPC's upcoming year-long campaign will be a "thorough cleanup" of undesirable work styles such as formalism, bureaucratism, hedonism and extravagance.

"The main task of the campaign focuses on building work styles," Xi, general secretary of the CPC Central Committee, said at a high-profile teleconference held to

launch the campaign.

He urged its members to adopt the "mass line" as they did during revolutionary times, in a move to improve ties with the public.

"Although the work style of most Party members is down to earth, a large number of officials have cut themselves off from the public," Xi said.

The "mass line" refers to a fundamental policy of the CPC introduced before 1949, when Party members were encouraged to build their ties with grassroots people, reflect on

their own practices and correct any misbehavior.

At Tuesday's conference, Party members were told to be critical in evaluating other officials as well as their own performance, with a view to rectifying improper working styles. The campaign will focus on Party organs and officials at or above the county level, Xi said.

"Winning or losing public support is an issue that concerns the CPC's survival or extinction," Xi warned.

"The CPC can only be stable when it dedicates its soul and mind to the people, and relies on the people to push forward historical advancement."

Xi urged members to "watch from the mirror, groom one-



**Winning or losing public support is an issue that concerns the CPC's survival or extinction."**

XI JINPING  
PRESIDENT

self, take a bath and seek remedies."

He said watching from the mirror requires members to refer to the CPC Constitution as a mirror and to live up to CPC discipline and public

expectations. Grooming oneself means correcting one's misconduct and projecting a good image of CPC members.

Taking a bath requires CPC members to keep a clean mind and behave properly in order to maintain the correct nature of a CPC member.

Seeking remedies means educating or punishing those who engage in misconduct.

Previously, the Political Bureau of the CPC Central Committee, the Party's top ruling body, pledged in January to control the total size of its membership, optimize its structure and improve the quality of Party members.

A survey showed most netizens and local officials

believe progress is being made in implementing rules introduced by the Party to fight bureaucracy and formalism.

About 72 percent of netizens and 88 percent of grassroots officials polled said that the biggest improvement in Party members' work style was made in reducing the number of extravagant receptions held to mark officials' visits, according to a poll conducted by People's Daily between May 29 and June 6.

Nearly 2,400 netizens and 500 officials from various provinces participated in the survey, according to the newspaper.

About 59 percent of netizens and 85 percent of local officials surveyed said official

meetings have been shortened, although about 5 percent of netizens and 3 percent of local officials said the situation was getting worse.

Respondents have also suggested building a sound system with more specific standards and supervision to improve CPC members' work style.

Zhu Lijia, a professor at the Chinese Academy of Governance, said the Party is seeking to build trust with the public.

"The distrust originates from corrupt and bureaucratic behavior of Party members and will endanger the Party's rule if it is not dealt with," he said.

Xinhua contributed to this story.



## DOTTING THE SKY

PHOTO BY ZHANG MAO / FOR CHINA DAILY

Hot-air balloons fly over the Qiongzhou Strait on Tuesday as a balloon festival begins in Haikou, Hainan province.

# 'Legal weapons' against pollution offenses

By ZHANG YAN  
zhangyan1@chinadaily.com.cn

The top court and procuratorate jointly issued an interpretation on the conviction and sentencing standards of criminal cases involving environmental pollution on Tuesday.

Experts said the interpretation will provide "legal weapons" to combat such crimes.

"At present, environmental pollution is very serious across the country, which seriously harms the ecological environment, and poses a great threat to people's health and property safety," Hu Yunteng, director of the research department under the Supreme People's Court, said during a news conference on Tuesday.

Figures released by the Ministry of Public Security show that police have uncovered a number of major criminal cases involving environmental

pollution since January, and arrested 118 suspects.

Among those, 24 have been charged with polluting the environment or illegally disposing of or importing solid waste by the prosecuting departments, according to the ministry.

"With more precise criteria for convictions and sentencing, including those for crimes of causing serious pollution and serious consequences, the judicial interpretation will ensure law enforcement officers apply the laws accurately," said Wu Ming'an, a law professor from China University of Political Science and Law.

He said the interpretation will be effective in solving the three traditional problems facing judicial officers — evidence collection, appraisal and crime identification.

"The judicial explanation, which lowered the threshold for crime identification and

imposed harsher punishment on polluters, will be effective to prevent environmental damage in the future," said Li Lin, a lawyer from Beijing Lawyers' Society.

But she still doubted whether it will be fully implemented by the judicial organs.

The interpretation lists 14 types of activities that will be considered crimes of seriously polluting the environment and resources.

For instance, discharging or dumping radioactive waste or waste containing infectious pathogens or toxic substances into sources of drinking water and nature reserves will be considered crimes of seriously polluting the environment.

Activities leading to pollution that force more than 5,000 people to be evacuated, or poisons more than 3,000 people or causes one person to die are also considered seri-

ous environmental crimes. Severe punishment will also be meted out to offenders who illegally import solid waste or neglect their duty for environment supervision, and cause huge economic losses, harm people's health or result in injuries or death.

For example, people who cause the suspension of water supply for more than 12 hours for an area of a county or above, cause private or public economic losses of more than 300,000 yuan (\$49,000), or poison more than 30 people, will face harsher punishment.

Those who obstruct environmental supervision or investigations for environmental accidents; those who dismantle facilities intended for environmental pollution prevention, or cause them not to operate normally; those who discharge pollutants near hospitals, schools and

large residential areas, will be considered serious offenders.

According to the Criminal Law, those convicted of polluting the environment, illegally disposing of or importing solid waste will face jail terms of up to three years, with fines.

But if the circumstances are serious or they cause particularly serious consequences, they will face a maximum prison term of seven years.

Han Yaoyuan, deputy director of the research department under the Supreme People's Procuratorate, said they will pay attention to investigating duty-related crimes found behind the environmental pollution crimes.

"Prosecuting departments from each level will investigate the cases involving turning a blind eye toward pollution or making fines instead of making criminal punishment," he said.

# 4 detained in beating of French man

By WANG ZHENGHUA  
in Shanghai  
wangzhenghua@chinadaily.com.cn

Friction on the dance floor, rather than racism, is behind a physical conflict outside a bar in downtown Shanghai last week in which a French man suffered a head injury and bruises, police said on Tuesday.

In a telephone interview, a spokesman for the Shanghai Public Security Bureau said that four Chinese men have been detained in the alleged attack on the French man, identified only as Thomas, on the morning of June 10 outside the Shanghai bar No 88. Police are still searching for a fifth suspect.

"It's just a civil case caused by a dispute on the dance floor," the spokesman said. "It has nothing to do with racism or the recent attack of Chinese students in southwestern France."

The attack on Friday night in Hostens, a town in France's wine-producing Bordeaux region, left one 24-year-old female student with severe facial injuries after being attacked with a glass bottle.

France's Interior Minister Manuel Valls described the incident as an act of xenophobia, and it has elevated outrage and fears of Chinese people living, studying and traveling in France.

In the Shanghai incident, 25-year-old Thomas, who was traveling, had a physical conflict with the main sus-

pect, surnamed Chen and also in his 20s, on the dance floor of the bar on Fumin Road, police said.

In retaliation, Chen summoned four friends and attacked Thomas outside the bar, police added.

But the incident generated concerns of racism because Thomas told the Shanghaiist, a popular portal for the expat community, in an interview that "nothing happened in the club. We were not drunk. We didn't see the guys before. It was just pure racism."

Shawn Kregan, a witness who recorded the attack with his mobile phone, told the Shanghaiist that Thomas and his girlfriend got into the taxi, when the suspects ran toward them and started beating him inside the taxi and proceeded to drag him out of it.

One of the guys was armed with a small knife and took a swipe at Thomas, but missed, Kregan added.

The attackers soon fled the scene, and the police arrived within 10 minutes. Police said they reacted fast, were fair and properly dealt with the incident.

Thomas was sent to the police station before being sent to a hospital in Xuhui district. He left China on Friday and could not be reached for comment on Tuesday.

An official at the French consulate in Shanghai said on Tuesday that they learned about the attack from social network services, but didn't receive any reports from the victim.

# Hard line for cement plants that foul the environment

By WU WENCONG  
wuwencong@chinadaily.com.cn

Seventeen listed cement companies have been found to often violate environmental protection laws by illegally discharging airborne pollutants, according to a report released on Tuesday.

The report, conducted by several independent institutes and environmental NGOs and led by the Institute of Public and Environmental Affairs, also accused the companies of failing to disclose environmental information as required.

The 17 cement companies have about 170 recorded envi-

ronmental violations between them.

Using the institute's "Green Stocks Database" on its website, the public can find the environmental supervision records of 850 companies' subsidiaries and affiliates by typing in the company's name.

The environmental supervision records all come from information published by local environmental protection departments or newspapers quoting official sources.

Violations listed in the records include the lack of denitrification facilities, faulty monitoring appliances and excessive emissions.

"The State Council recently released 10 measures to control airborne pollution and achieve energy and emissions reductions. The extremely energy-intensive cement, steel and thermal energy production industries, especially those leading listed companies, need to share the heavy responsibility of reducing emissions and not disappoint the public," said Ma Jun, director of the Institute of Public and Environmental Affairs.

China produces more than half of the world's cement. According to the National Bureau of Statistics, the country's cement output from January to May reached more than

866 million metric tons, up by 8.9 percent from the same period last year.

The cement industry is among the six most heavily polluting industries that were required by the Environmental Protection Ministry to meet international emission limits from March this year. Dust emissions from the cement industry accounted for about 30 percent of total industrial emissions in 2009.

"We found that this industry has shocking problems with dust and waste gas emissions. The cement industry's violations have deeply harmed the living environment and health of those

who live near the factories," said Fang Yingjun from environmental NGO Green Jiangnan.

Subcompanies from four large cement companies that are members of the Cement Sustainability Initiative, which is described on its website as being "a global effort by 24 cement producers that believe there is a strong business case for the pursuit of sustainable development", appear in the report.

The environmental NGOs said they have contacted the 17 listed companies to inform them of the aforementioned pollution problems, but most of the offenders took an evasive stance.



## HAVING A BALL

PHOTO BY MIAO JIAN / FOR CHINA DAILY

High school students take part in a masquerade to celebrate graduation in Wuhan, Hubei province, on Monday.

# Risks of accident are 'striking'

Inspectors report widespread safety lapses; corruption pose dangers

By **WANG XIAODONG**  
wangxiaodong@chinadaily.com.cn

Ongoing nationwide inspections of work safety have revealed potential risks that could lead to accidents are still common, and corruption is behind many workplace accidents.

"Problems are striking, and everywhere, and they could cause serious accidents if not properly addressed," said Huang Yi, a spokesman for the State Administration of Work Safety.

The inspections, organized by the State Council, started in early June and will continue until the end of September.

The program was ordered after a spate of deadly accidents claimed hundreds of lives in the previous two months, including a fire on June 3 at a slaughterhouse in Northeastern China's Jilin province that killed 121 people.

According to a statement from the State Council General Office, various problems at enterprises and local governments have been exposed, such as a lack of safety awareness and supervision.

The inspections are aimed, it added, at eliminating potential risks and preventing major accidents from happening at

work places, including coal mines, chemical plants and construction sites.

The State Administration of Work Safety has dispatched six investigation teams to areas across the country and has been receiving regular reports from them, Huang said.

One of the teams conducted inspections on 11 chemical factories between June 9 and 12, and found 65 safety risks, he said.

"The teams arrived at the enterprises unannounced and found a lot of problems — pipelines and wires were sub-standard, switches were not explosion-proof, and many valves had been rusted and could not be switched on or off."

Huang said many of the potential risks were ignored during previous regular inspections, and enterprises had failed to take any measures to ensure safety.

Chen Hengwu, a survivor of the fire on June 3 at Jilin Baoyuanfeng Poultry Co in Dehui, Jilin province had told China Daily that only one door of the workshop was open when the fire started, and the others were closed during work time.

Some of the material used on the building was also flammable, he said, causing the fire to spread quickly and engulf the workshop almost instantly.



WANG SHUANGZHENG / CHINA DAILY  
A work safety supervisor instructs a participant in the use of security equipment during a rescue drill at a textile firm in Baofeng county, Henan province, on Tuesday.

Another accident that killed 18 people at a coal mine in Jilin in April happened even after the provincial government had ordered all coal mines in the province to suspend operations following two previous mine accidents that claimed dozens of lives.

Officials found that Qingxing coal mine had not conducted sufficient safety checks and

continued working illegally, and that the local government had failed to properly supervise it.

Safety enforcement is difficult in many places due to complex reasons, including protectionism from local government and corruption, which are behind many major deadly accidents, Huang said. "Now when we investi-

gate any accident, we always check whether corruption is involved," he said.

The inspections have revealed that some of those who were responsible for lapses in safety measures in the past have not been held to account, Huang said.

"We found, that out of 28 people who were identified for prosecution following a coal

mine accident three years ago, for instance, only one is serving a prison term," he said.

Li Haowen, an official with the State Administration of Work Safety's legal affairs department, added: "Enterprises must shoulder primary responsibility for safety at work, and the government must fulfill its role of management and supervision."

## Nordic countries team up in China's tech trade

By **HE DAN** in Espoo, Finland  
hedan@chinadaily.com.cn

Nordic countries have joined an international race to team up with China in exploring science and technology opportunities.

"Countries with a tradition of innovation gradually take the lead in social and economic development, which in turn make them internationally competitive," said Huang Xing, China's ambassador to Finland.

Information and communication technology has boomed in China during the past two decades, he said and the country has earmarked the sector for greater funding.

The ambassador sees the increasing demand for expanding social network services, digital television, e-commerce and cloud computing as key areas of exchange between China and Nordic countries.

Huang made the remarks at Focus on China, a high-level forum on international cooperation in higher education and ICT held in Espoo, the second-largest city in Finland, on Monday.

China's spending on research and development reached 868.7 billion yuan (\$139.2 billion) in 2011, a rise of 23 percent year-on-year, according to the National Bureau of Statistics, the Ministry of Science and Technology and the Ministry of Finance.

Earlier this year, Wan Gang, minister of science and technology, estimated the public expenditure in this field passed 1 trillion yuan in 2012 as the government has been working to build an innovation-driven economy.

China's R&D spending will catch up with that of the US by 2020 if the growth rate continues, said Jaani Heinonen, head of the enterprise and innovation department at the Finnish Ministry of Employment and the Economy, who chaired the forum on Monday.

"We need to understand better what's happening in China and need to strengthen cooperation with China so we can take our share and have a profitable part of that cooperation," he told China Daily.

Finland regards ICT, gaming-related industry, nano technology, new materials and clean energy as key areas to boost cooperation with China, he added.

Finland and Sweden have invested a great deal into expanding their activities and developing competitive networks in China.

For instance, based on a bilateral agreement on cooperation in science and technology, the Ministry of Science and Technology in China and the Swedish Governmental Agency for Innovation Systems, or VINNOVA, agreed to establish a program for joint funding of the Sino-Swedish cooperative research projects.

In 2008, "TMT-Advanced and Beyond" was selected as the field of research for the program.

It is also a joint initiative involving mobile communication research between Sweden and China, said Ciro Vasquez, program manager for the bilateral cooperation between Sweden and China under the VINNOVA.

## Green meeting focuses on protection of resources

By **WU WENCONG**  
in Kunming  
wuwengong@chinadaily.com.cn

Protecting ecosystems and the fair and equitable sharing of the benefits of genetic resources may be key themes in cooperation between China and South Asian Association for Regional Cooperation countries in biodiversity conservation.

The consensus was reached during a workshop on implementing the Convention on Biological Diversity, hosted by the Ministry of Environmen-

tal Protection and attended by experts from China, Afghanistan, Bangladesh, Bhutan, Nepal, Pakistan and Sri Lanka.

Three themes proposed by Chinese officials sparked particular interest.

The first focused on cooperation in ecosystem conservation.

"Diversified trans-boundary ecosystems exist in the region, such as forests, grasslands, alpine ecosystems and inland wetlands. Countries in the region can work together to protect them," said Zhang Fengchun, chief technical expert in biodiversity and climate change

for the ministry's Foreign Economic Cooperation Office.

Creating an environment of public opinion to protect the environment, often referred to as capacity building, was another popular theme. This includes training, workshops and general education on the environment.

Amanullah Hussaini, executive secretary of Afghanistan's National Environmental Protection Agency, said his country does not have any system to recycle goods.

Tshering Dorji, senior environment officer from Bhutan's

National Environment Commission, said given the lack of capacity and technical know-how, Bhutan is also interested in training, workshops and expert and student exchange programs.

The third theme was equitable sharing of benefits of genetic resources, one of the three pillars of the Convention on Biological Diversity.

"This focuses on how countries should share profits generated from genetic resources acquired from other countries. It is a relatively new area in the negotiations of the convention.

Yu Zhidi, also with the Foreign Economic Cooperation Office, proposed that cooperation on this issue should first focus on basic research to gain a more thorough idea of the region's genetic resources and traditional knowledge systems. Representatives at the workshop, which lasted from May 29 to June 3, agreed with Yu.

South Asia is endowed with an exceptional array of biodiversity. "The region's ecosystems occupy about 3.6 percent of the world's area and contain 16 percent of the floral species and 12 percent of the faunal

species," said Mohammed Solaiman Haider, deputy director of Bangladesh's Environment Department.

But the region's natural resources face tremendous pressure from rapid population growth and economic expansion, which has led to unsustainable extraction of natural resources and accelerating levels of air and water pollution.

Song Xiaozhi, deputy director of the ministry's International Cooperation Department, said environmental protection has become a priority between China and association countries.

## Scientist: Flower-power benefits should be shared

By **WU WENCONG**

China and countries in the South Asian Association for Regional Cooperation should work together to protect shared biodiversity, a leading botanist has said.

"China shares very long borders with five SAARC countries: Afghanistan, Pakistan, Nepal, India and Bhutan," Pei Shengji, a professor at the Chinese Academy of Sciences' Kunming Institute of Botany, said.

Sri Lanka, the Maldives and Bangladesh are the other members of the body.

Pei was speaking at a workshop that lasted from May 29 to June 3 on the implementation of the Convention on Biological Diversity, hosted by China's Ministry of Environmental Protection.

Protecting and enhancing biodiversity depends on utilizing the shared experiences and knowledge of people across borders, he said.

He said regional collaboration should emphasize the implementation of fair and equitable sharing of, and benefits arising from, the utilization of biological resources and traditional knowledge.

This is one of the three key objectives of the Convention on Biological Diversity, which

“This will benefit local people and help tackle cross-border smuggling.”

PEI SHENGJI  
PROFESSOR AT THE CHINESE ACADEMY OF SCIENCES' KUNMING INSTITUTE OF BOTANY

came into effect in 1993.

He cited the yew as an example. This valuable plant is widespread in Asia and one of its byproducts, taxol, is an internationally recognized anti-cancer agent.

"If China and India can set an agreed price for the yew extract, then regardless of what country it is sold in, the price will be the same for any merchants who want to buy it," Pei said.

"This will benefit local people and help tackle cross-border smuggling," said the scientist, who brought ethnobotany to China in 1987.

Ethnobotany is the study of the knowledge of communities and their relationship with plants.

Pei said China is one of the 12 mega-biodiversity countries, especially in terms of

plants, with 47,770 species of recorded terrestrial flora. This puts it in a leading global position.

It is also a country of huge cultural diversity, one of the oldest and biggest repositories of bio resources, genetic resources and traditional knowledge, such as using plants as medicine.

Pei said an ethnobotanical inventory of traditional plants recorded 2,216 plant species that could be classified as medically beneficial among 16 ethnic groups in Yunnan province between 1982 and 2005.

Another 3,000 species were inventoried in other provinces over the last 20 years. He said a national regulation on the protection of plants in use in Chinese medicine was enacted in 1993.

This clarifies procedures, including management, classification and protection. But the regulation applies only to the traditional Chinese medicine varieties manufactured in national jurisdiction.

He stressed the importance of broadening this type of protection into other areas. One way of doing this would be to develop training programs to educate border areas on how best to protect and utilize various plants.

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## Largest pyramid sales case in court

By YAN YIQU in Hangzhou and ZHAO YINAN in Tianjin

China's largest ever pyramid-selling prosecution case has begun in a court in Zhejiang province.

The alleged scheme, managed through a shopping website based in Jinhua, is believed to involve not only the largest ever amount of money in such a case, but also the most people.

Prosecutors claim the suspected website, www.wjgw.com, had been convincing netizens of guaranteed refunds after shopping online since its establishment in 2010.

It was closed down in June 2012, owing refunds worth 24.04 billion yuan (\$3.9 billion) to a total of 1.9 million customers or members in 31 provinces, autonomous regions and municipalities.

Fifteen senior executives of the Zhejiang Yijia E-commerce Company, the company that created the site, have attended the hearing.

Ying Jiancheng, its chairman, has denied that the website was related to any pyramid selling and has claimed that if it had not been closed down, it would by now have grown larger than jd.com, one of China's largest online shopping websites.

According to procurators from Wucheng district in Jinhua, the company had been attracting members by offering a 500 yuan refund for every 500 yuan spent on the site — effectively offering its members savings equal to their spending, they said.

The website also required its members to attract lower-level members and take part in franchising activities.

Each member was ranked and the cash incentives for higher-ranking members depended on how many new members they signed up.

Between July 2010 and June 2012, the website registered 1.9 million members and more than 100,000 franchisees.

Senior executives made handsome earnings from the venture. Ying alone had received payments of 3.74 million yuan, the court said.

Kang Liangdong, a lawyer from Xinli Law Firm in Shenzhen, Guangdong province, said the scheme had been disguised as e-shopping, but the method of pyramid selling remained the same as those used by previous multiple-level sales groups.

Procurators told the court the fact that the company was pyramid selling was undeniable, and its senior executives should be punished.

According to Chinese law, people convicted of pyramid selling can be imprisoned for up to five years and fined. In particularly serious cases, sentences of more than five years can be handed down.

"China's criminal code embodies a principle of tempering justice with mercy, and that is also the case in the crime of pyramid selling," said Kang.

"Those who organize these illegal sales are usually punished with both imprisonment and fines, while the minor offenders face fines and education."

Contact the writers at yanyiqi@chinadaily.com.cn and zhaoyinan@chinadaily.com.cn

# Baby formula industry to consolidate

Move meant to revive sector, raise consumer confidence

By ZHOU WENTING in Shanghai  
zhouwenting@chinadaily.com.cn

About a third of the country's baby formula businesses will be axed, in what experts are calling a major consolidation of the industry.

The government has been trying to revive the industry since the 2008 melamine scandal, but consumer confidence is still lacking.

The move is part of a campaign to scrutinize dairy businesses in the next three months to improve the quality of milk powder products and boost confidence in the industry, the Ministry of Industry and Information Technology announced in Beijing on Tuesday.

"Of the 127 licensed dairy businesses that produce baby formula products, 25 to 35 percent will be cut. They are not necessarily unqualified, but the country needs more powerful alliances," Zhuang Pei, deputy director of the metropolitan industry division of the Shanghai Municipal Commission of Economy and Information, said on Tuesday.

Only 30 of the licensed producers are active in the market and have a stable sales volume, he added.



A woman shops for baby formula at a supermarket in Nanjing, Jiangsu province, this month.

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Industry insiders said small-scale enterprises, especially private ones, are likely to be eliminated by the regulation, and more mergers and acquisitions led by domestic giants are expected.

"The quality and safety of dairy products has notably improved in recent years, but they still require further improvements to make local brands more competitive," said Zhu Hongren, chief engineer of the Ministry of

Industry and Information Technology.

Song Kungang, secretary-general of the China Dairy Industry Association, said more than 60,000 tons of liquid milk for babies were imported in the first four months of the year, a year-on-year rise of more than 164 percent, and a total of nearly 600,000 tons of dairy products were imported, an increase of nearly 25 percent from last year.

Sales in the domestic dairy

industry slumped in 2008 when a scandal broke out over baby formula that was tainted with melamine, an industrial compound that can cause kidney ailments but was added to milk to make it appear to have a higher protein content. Six children died from drinking the milk, and at least 300,000 others became ill.

In the next two years, China's quality watchdogs carried out a tough battle to clean up the sector, which saw the closure

of nearly 70 baby formula producers.

In addition to the requirement that every batch of raw milk be tested for melamine after the scandal, the government also demanded quality supervisors stationed at factories to oversee the whole process from raw materials to end product.

The baby formula businesses also made huge investments to ensure and improve product quality, according to insiders.

Chenguan, one of the four

dairy businesses that specialize in baby formula production in Shanghai, said in addition to the 64 items that are required to be tested, it tests more than 20 other items, such as the level of lutein.

"The national standard says the tested amount of melamine in baby formula should not exceed 1 mg per kg, while our ceiling is 0.01 mg per kg," said Sun Jing, brand manager of Shanghai Chenguan Dairy Co Ltd.

Each of the businesses have established credit and traceability systems, said Gu Zhenhua, deputy director of Shanghai Municipal Food Safety Commission Office.

"According to official test reports, dairy products in Shanghai, especially baby formula, are 100 percent reliable, but consumers don't think this way. One of the popular goods residents buy from overseas is baby formula," he said.

Due to excessive consumption, on March 1 Hong Kong put a regulation in place, limiting the amount of baby formula people from the Chinese mainland can carry when they depart to two cans.

One way to narrow the gap between the government's guarantee and the reaction from society is to further improve information disclosure, Gu said.

"If consumers buy a product and they can check its test reports online, they'll feel more reassured," he said. "We're urging businesses to display the test results of every batch of product on their websites."

## Officers disguised as vendors 'not a publicity stunt'



Gui Wenjing, a chengguan officer who disguised himself as a street peddler for the past month, shows reporters the billboards he used for his business in Wuhan, Hubei province, on Tuesday.

By ZHOU LIHUA in Wuhan and JIN HAIXING in Beijing

Two urban management officers who disguised themselves as street vendors at night for the past month were not part of a publicity stunt, the urban management authority in a Central China city said on Tuesday.

The urban management authority also released diary entries written by the two officers in Hongshan district in Wuhan, capital of Hubei province, on Tuesday.

Based on the two officers' experiences, the urban management bureau of Wuhan plans to conduct further research and set up an open market for vendors in a limited area and period.

The urban management bureau, commonly shortened to chengguan, is in charge of enforcing bylaws, city appearance, environment, sanitation, work safety and pollution control.

However, in many cities, chengguan are often accused of treating street vendors poorly, and conflicts have often been reported.

In May, a chengguan bureau

in Hongshan district approved a plan to allow two officers to operate a small business in a street, so they could experience the life of peddlers and improve law enforcement in the city, it said.

Gui Wenjing, the male officer who devised the plan, said he and his colleague Yang Xi started the mission on May 13 and in the beginning the operation was very difficult.

Yang said her family supported her participation in the operation, and her mother said she was brave to take part.

The two officers, disguised as peddlers, sold teacups and other small items.

After the case was exposed on Saturday by a micro blogger, the bureau suspended the mission. Many Internet users questioned the mission and some even said the diaries written by the two officers were made up.

Gui denied such claims and said he could guarantee all of the information that appeared in the diary was true.

"It is full of details of life, which cannot be made up," he said.

Yang said she controlled the

finances for the business, but she did not disclose its expenses and profits.

She said they planned to donate the profits to a street vendor who makes a living by selling sweet potatoes and pays for his son's heart disease treatment.

According to the diary written by the two officers, they had several encounters in the past month with chengguan, who asked vendors to stop doing business in the streets.

"From the perspective of vendors, sometimes the law enforcement from chengguan officers is too strict," Gui told China Daily on Tuesday.

"To my surprise, vendors are far more familiar with the job of chengguan. They know exact teams responsible for specific streets, and they even know the latest work slogan of the Hongshan chengguan bureau," Yang Xi wrote in her diary.

Gui said he learned a lot about the difficult lives of vendors and he hopes that chengguan and vendors can come up with solutions to improve law enforcement.

Although the mission

received much criticism from the media and the public, experts welcome the move.

Yue Shenshan, a lawyer at Beijing Yuecheng Law Firm, said the mission was acceptable and did not exceed the scope of chengguan authority because it was aimed at learning about the life of street vendors.

Chengguan usually have to inform street vendors of their real identity during law enforcement practices such as issuing a fine. But in this case, there is no evidence that chengguan will punish vendors found during the mission, he said.

Mo Yuchuan, a law professor at Renmin University of China, praised the mission and said he has witnessed many similar operations from Wuhan chengguan in recent years.

However, Mo said the agency should make specific and long-term plans for reforming law enforcement methods to eliminate public misunderstandings rather than letting individual officers make changes.

Contact the writers at zhoulihua@chinadaily.com.cn and jinhaixing@chinadaily.com.cn

## Health policies 'need better implementation'

By WANG QINGYUN  
wangqingyun@chinadaily.com.cn

A top health expert has urged Chinese authorities to better implement policies aimed at averting a national obesity crisis.

The call comes after the latest report on the general health of Beijing residents discovered that more people are at risk of diseases brought on by being overweight.

Wang Linhong, deputy director of the National Center for Chronic and Non-Communicable Disease Control and Prevention, said sedentary lifestyles and poor diets containing large amounts of sugar and fat have made obesity an increasingly serious problem in China.

"The government has issued many policies that encourage

people to exercise more and eat a balanced diet," she said. "But many of them are not fully carried out."

Wang said specific plans are needed to achieve the requirements set out in the plan that the National Health and Family Planning Committee issued last year. These include "to positively build an environment for doing physical exercise" as well as "guaranteeing primary and high school students have at least an hour to do physical exercise".

"For example, few young people use outdoor equipment built in the neighborhoods," Wang said.

According to the Beijing Health Bureau's annual report released on Tuesday, the average resident's body mass index, which is defined as one's body

mass divided by the square of their height, reached 25.19 in 2011, while the range of BMI recommended by national health authorities in 2003 was from 18.5 to 23.9.

The average waistline of men exceeds the recommended 85 to 88.7 centimeters, while women's waistlines were just below the limit of 80 cm recommended by national health authorities.

However, Wang conceded that the BMI recommendation China has set for its people is stricter than that recommended by the World Health Organization.

According to a recommendation from the International Life Sciences Institute, Chinese people are considered overweight if their BMI is higher than 24 and obese if it is more than 28, while the

WHO has those figures set at 25 and 30 respectively.

More worrying was the report's finding that the prevalence of hypertension was 33.8 percent and diabetes 8.9 percent in 2011, both higher than in 2008.

In the BMI and waistline standards issued by the National Health and Family Planning Commission, BMIs of more than 23.9 or waistlines larger than 80 cm for women or 85 cm for men increase the risk of heart disease and hypertension.

Chen Junshi, an expert with the International Life Sciences Institute, said the recommendation is based on solid grounds.

"More than 200,000 people in 21 provinces were surveyed," he said. "The recommendation was not made lightly."



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Several swimmers lift a dying dolphin out of the water for a photo shoot on a beach in Sanya, Hainan province, on Sunday evening.

SHA XIAOFENG / FOR CHINA DAILY

## Dolphin dies, swimmers blamed

Photos of people delaying rescue efforts spark netizens' outrage

By FAN FEIFEI

fanfeifei@chinadaily.com.cn

Wildlife experts have criticized swimmers who posed for pictures with a dying dolphin on a South China beach, hampering the efforts of people trying to save the mammal.

Photographs taken by witnesses in Sanya, a popular tourist destination in Hainan province, were widely circulated online on Tuesday.

Several showed a group of men holding the dolphin above

shallow water while another swimmer took photographs.

"Many tourists came up and asked to touch the dolphin, and some lifted it up to take photos while we were trying to save it," said Chen Zhongcheng, one of 10 lifeguards who arrived on the scene after tourists reported seeing a stranded dolphin off Dadonghai beach at about 6 pm on Sunday.

"The dolphin was clearly in distress," Chen said. "It couldn't breathe freely, so we had to lift its blowhole clear of the water's

surface every few minutes so it could get some air."

An elderly fisherman who witnessed the incident said the swimmers' behavior was "inappropriate" and that they could have easily caused the dolphin to drown.

Experts from a wildlife rescue center eventually arrived to remove the dolphin from the beach at 8:30 pm.

"We aren't professional rescuers, so (after receiving a call from the Dadonghai lifeguards) we contacted Hainan Nanhai Aquatic Wildlife Rescue Center for help," said Ding Xiuhong of the Sanya fisheries bureau. "Their center is far from Sanya, so they put

us in touch with a protection group experienced in rescuing endangered aquatic animals."

Ding said the dolphin died from a collapsed lung at about 11:30 pm Sunday night.

Many experts and netizens blamed the dolphin's death on the swimmers who posed for pictures.

"They should face criminal charges," said Wang Yamin, a professor of marine studies at Shandong University, Weihai. "If not for them, the animal may have survived."

Hua Ning, director of the China program for the International Fund for Animal Welfare, also expressed dismay at the onlookers' actions. "It must

have been very painful for the dolphin," she said.

According to Chen Juming, director of the Hainan Nanhai Aquatic Wildlife Rescue Center, a swimmer should report sightings of dolphins in distress to the local fisheries bureau or nearest rescue center.

"A stranded dolphin can drown in the water, so if conditions permit, dig a hole in the sand and cover its body with a wet towel, and add water every two minutes," he said. "They should also be kept out of the sun to prevent their skin drying or dehydration."

Liu Xiaoli in Haikou contributed to this story.

## Space lotuses to touch down in Shanghai

By WUNI in Shanghai

wuni@chinadaily.com.cn

Shanghai's largest display of "space lotus" flowers in history opens this month.

The 50 flowers of 13 varieties grown from seeds that traveled into space will be on show at Guyi Gardens on June 28.

"The space lotuses will be a highlight, as many people are excited about the recent space mission," said Sun Jia, spokeswoman for the 500-year-old gardens in Jiading district. Sun added the best time to enjoy the show will be the full bloom period, which is expected to be near the end of July.

The venue has exhibited space lotuses before, but never so many varieties, as they are rare due to the complicated cultivating process, she said.

The most famous in the show will be the No 36 Space Lotus, a white variety from Jiangxi province's Guangchang county, that was successfully cultivated after three trips to space.

A total of 442 seeds were placed on a recoverable satellite that spent more than 355 hours in orbit in 1994. Selected seeds were then carried on *Shenzhou IV* in 2002 and on another recoverable satellite in 2006.

Xie Keqiang, director of the Guangchang White Lotus Research Institute, said research showed more effective mutations in seeds on the first satellite flight as opposed to those on the *Shenzhou IV* trip.

"The purpose of sending seeds into space is to make use of high-energy particles and radiation to induce mutation," he said. "But the manned *Shenzhou IV* had a life-support system that weakened the radioactive effect."

Not all seeds mutate, as cosmic radiation is random — it causes both positive and negative effects, which is why some seeds need several space trips and ground experiments, Xie added.

It can take at least five years to cultivate a new variety and the process can last more than a decade, he said.

Scientists first sent seeds



**Ordinary lotus flowers in a pond usually bloom for two months, but a pond of Space Red Flag can last from late May to early November, which obviously has more ornamental value.**

TAO DEJUN  
OF YAMEIJIA AQUATIC FLOWERS,  
WHICH NURTURED VARIOUS TYPES  
OF "SPACE LOTUS" FLOWERS

into space in 1987.

Scientists say radiation-induced mutation is a natural and safe way to breed new crop varieties, given that it does not involve artificial genetic modification.

Tao Dejun at Yameijia Aquatic Flowers in Chongqing's Dazu district said about 30 percent of lotus seeds survive cosmic radiation. These are carefully screened to eliminate genetic drawbacks.

Only those with bigger, more colorful and long-lasting flowers are chosen for mass cultivation, he said.

Yameijia will supply the Guyi Gardens show with the Space Red Flag, Space Apsaras and Butterfly Dance varieties.

"The Space Red Flag, for example, has a very large flower, which could be 40 centimeters long in diameter," Tao said. "It's more durable. Ordinary lotus flowers in a pond usually bloom for two months, but a pond of Space Red Flag can last from late May to early November, which obviously has more ornamental value."

Xie said that the benefit of cosmic breeding is the cultivation of plants with a higher seed yield, more nutrition and a high level of resistance to disease.

The average seed yield of the No 36 Space Lotus is about 6.67 kilogram a hectare, more than twice the conventional ones, he said.



PROVIDED TO CHINA DAILY

The Space Red Flag, a variety of the "space lotuses", which are said to be better than the ordinary type.

## Survey: Graduates search for 'fun' jobs

Security, stability also top priorities due to concerns over economy

By WANG ZHUOQIONG

wangzhuoqiong@chinadaily.com.cn

Despite the harsh job market this year for college graduates, Zhang Zhiwei, a graduate from Shanghai International Studies University, has listed innovation and personal interest as priorities in his job search.

"It is most important for me to work for a job that I find fun and interesting," said the 23-year-old who now interns at a consultancy firm in Shanghai. "Then, I'm attracted to the success of the company and the training they will provide."

Like Zhang, when students are asked to describe their ideal employer, the most common words used are "innovation", "stable" and "professional", according to a recent survey aimed to identify which organizations they are interested in working for upon graduation.

The survey, released on Tuesday and conducted by China Daily's 21st Century English Newspaper and Universum, a global employer

branding company, contains feedback from 64,522 university students from more than 100 of the top universities in the country.

"For an employer, innovation can come in the form of fostering a creative and change-friendly working environment," he added. "For the post-1990s generation, who are more eager to be recognized at work, it is important that new ideas and creativity are valued by employers."

Bank of China, State Grid Corporation of China, Procter & Gamble, Google, King & Wood Mallesons and Pfizer are considered the most attractive employers in each of their fields, the survey found.

This year, although a "work-life balance" remains a top career goal, "to be secure or stable in my job" has increased in importance reflecting concerns over the country's impending economic growth and its impact on job availability.

William Wu, Universum's vice president of Asia Pacific, said while gray clouds loom

### TOP IDEAL EMPLOYERS IN THE EYES OF UNIVERSITY STUDENTS

..... BUSINESS .....



..... ENGINEERING .....



..... NATURAL SCIENCES .....



..... LAW .....



..... LIBERAL ARTS/EDUCATION .....



..... HEALTH/MEDICINE .....



Source: China Daily's 21st Century English Newspaper and Universum  
FENG XIUXIA / CHINA DAILY

in China's economic horizon, the country is undoubtedly still driving the global market.

The survey indicates a strong preference of jobseek-

ers to find employment within the country — up from 63 percent a year ago to 78 percent this year, he said.

A company's market success can also influence jobseekers' choices, Wu added.

Last year, Apple was the most attractive employer among students majoring in engineering and humanities, liberal arts and education. This year, as Samsung overtakes Nokia to be the biggest mobile phone maker in the world, the company is steadily increasing its rank on the China Top 100 IDEAL Employers 2013.

Salary and opportunity for advancement are major concerns in choosing future employers, with "good reference for future career" and "high future earnings" being the two most important attributes.

China's post-1990s generation's future salary expectations have raised 10.7 percent to an average of 6,760 yuan (\$1100) per month this year. This is a stark contrast with many of their peers from other countries — including Canada, Japan and Switzerland — who have lowered their salary expectations this year.

Students studying law have

the highest salary expectations at 7,263 yuan per month, followed by those in engineering at 7,127 yuan per month and natural sciences at 6,985 yuan per month.

Students, especially those majoring in business, commerce and natural sciences, consider the banking sector to be the most attractive upon graduation, according to the survey.

Most local institutions have witnessed an increase in their rankings and are perceived more favorably than their foreign counterparts, which have become less attractive since the global financial crisis in 2008.

Known for offering professional training and development with clear career progression, the auditing and accounting sector is the next most ideal industry for business students to pursue upon graduation.

All the "Big Four" accounting firms have improved on the rankings in 2013 with PricewaterhouseCoopers in the lead in ninth place.

On the other hand, students who major in engineering consider the engineering and manufacturing sector ideal, followed by telecommunication and technology hardware and equipment.



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# From China with love and care

China Daily reporter **Peng Yining** is on board the hospital ship *Peace Ark* and will bring us regular reports throughout its 118-day aid voyage.

This is Liu Baichen's third ocean voyage. The 48-year-old ophthalmologist is again traveling with Chinese hospital ship No 866, nicknamed *Peace Ark*, on a four-month medical mission overseas.

On a previous *Peace Ark* mission to Djibouti in 2010, Liu cured a man from the slums who had lost his sight to cataracts. When Liu removed the bandages from the patient's eyes after the operation, the 53-year-old man jumped up from his bed and hugged him.

"For three years, he had been living in darkness, but suddenly he could see again," said Liu. "I couldn't understand his language but I could see the excitement in his face and eyes. The joy of being healthy is universal."

Liu said regaining his sight meant the patient was no longer a burden on his poverty-stricken family and he was able to start a new life.

"As a doctor, I felt so proud to see him smile," said Liu, who has been an ophthalmologist at the General Hospital of the Chinese Navy in Beijing for 23 years. "I have been working in China for a long time, and now I am able to help people in other countries."

At the sound of a steam whistle, *Peace Ark*, a 178-meter-long white vessel with red crosses painted on her decks and sides, sailed from the port of Zhoushan in East China's Zhejiang province on June 10. During the voyage, she will visit eight countries, including Indonesia, Pakistan and India, providing free medical services to the local population.

## Responsibility and capability

"As the world's second-largest economy, China has the responsibility and the capability to provide humanitarian services to people across the world," said Guo Fenghai, professor of Marxism studies at the PLA National Defense University. "In the era of globalization, international cooperation has played an important role in China's development, and, in return, the world should also benefit from China's growth."

During her first two missions, in 2010 and 2011, the *Peace Ark* visited nine countries in Southern Asia, Africa and South America, providing medical services to more than 23,000 people, 215 operations have been performed.

Liu said he conducted 81 operations on those two missions. At the peak, more than 50 patients consulted him every day.

The surgery isn't cheap. Liu said a regular cataract operation costs at least 6,000 yuan (\$980) in China, although the cost varies from country to country. On previous voyages, many patients consulted him aboard the *Peace Ark*, either because they couldn't afford the treatment or would have to wait as long as a year to undergo surgery at a local hospital because medical resources were so scarce.

"But more importantly, they trusted the Chinese doctors," Liu said. "The world has witnessed China's development, and people understand that Chinese medical technology has developed as well."

During the 2010 mission, the ship's medical staff helped to deliver a baby girl to a woman with acute heart disease.

Lu Jianguo, a naval officer, said: "That was a close call. Both mother and baby were at their last gasp when they came to our hospital ship. The baby's father burst into tears when he held his child."

Lu said he now fully understands how that man felt, because his son was born just one month before the ship sailed from Zhoushan. "He was so small and vulnerable when I held him in my arms for the first time. Suddenly he kicked a little. I will never forget that moment. It was the first time I felt that I was really a father."

However, he has now bid his family farewell and joined the four-month voyage. "It wasn't an easy decision. I feel sorry for my wife and my son," said Lu. "But if my mission makes people overseas feel as healthy and happy as I do with my family, then it will be worth being apart for four months."

With fair breezes and smooth seas into the tropics, the *Peace Ark* sailed south. As the voyage progressed, the soft, sweet tropical air mingled with the fresh smell of the sea and gave the crew of more than 400 soldiers, sailors, officers and medical staff a delightful experience of ocean travel.

On Saturday, the ship arrived at its first port of call in Brunei, where the crew participated in a joint humanitarian drill held by the Association of Southeast Asian Nations Defense Ministers' Meeting Plus. It was the first time the ship had participated in a large-scale joint drill with ASEAN.

Before each mission, the *Peace Ark* asks the local authorities for permission to treat residents and pledges to respect the local culture and religion, according to Wang Zhihui, director of the mission's medical crew. Every



Doctors from the *Peace Ark* perform surgery on local residents at a temporary clinic in Mombasa during the hospital ship's first mission in 2010.

PHOTOS BY JU ZHENHUA / FOR CHINA DAILY



*Peace Ark* is on a 118-day medical mission overseas.

medical procedure is carried out with the patient's consent.

Wang said China has sent medical experts to all the countries the *Peace Ark* will visit to conduct research into local health care needs. He used cataracts as an example, saying the condition is a common problem in the tropics because of the prevalence of strong ultraviolet rays.

The *Peace Ark*'s ophthalmology team is one of the best in its field and its equipment is state of the art.

"You have to know what people need in order to help them," he said. "We were warmly welcomed on the first two missions. The lines of people stretched longer than a kilometer and some even waited the entire night to see our doctor."

As the hospital ship only anchors at each stop for several days, the medical team targets common diseases and operations that can be completed quickly.

The services, including surgery and medication, are free of charge and in line with international standards, said Wang. "We have the most experienced doctors and the best medicines," he said.

Zhang Lanmei, a 50-year-old gynecologist, said this is her first *Peace Ark* mission.

"I have been working for more than 30 years and I am happy that my experience will help people overseas," she said.

## Purpose-built vessel

Designed and constructed in China, the *Peace Ark* is a purpose-built hospital vessel and much of its equipment is of the same standard as that found in some of China's top hospitals. The vessel has 300 sickbeds, eight operating rooms and a rescue helicopter.

Wang said the crew includes three experts in traditional Chinese medicine, who provide treatments such as acupuncture and massage.

"Chinese medicine is widely accepted in Southern Asian countries. Our trip is also a great opportunity for people to learn more about our culture and history," said Wang.

"During the visit, the ship will be totally open to local medical professionals. We are looking forward to learning from them as well."

On the walls of one sickroom, posters explain Chinese medicine and treatment. A doctor stabbed a thin needle into an officer's back to ease his backache. Through the porthole behind the doctor, seagulls could be glimpsed as they glided by. Even during heavy gales and swells, the sickrooms are quiet and dry.

"Showing goodwill to neighboring countries is a responsibility and also a sign of a confident country," said Guo from the PLA National Defense University.

He said China has a tradition of spreading friendship across the seas, referring to the voyages of Zheng He, a politician and navigator during the Ming Dynasty (1368-1644). Zheng led 100 vessels and more than 27,000 officials and soldiers on visits to more than 30 countries and regions in Southern Asia and East Africa during seven voyages in a 28-year period between 1405 and 1433. Zheng's voyages were a landmark in the history of navigation and a remarkable chapter in the diplomatic activities of ancient China.

"The *Peace Ark*'s voyage can also be seen as a diplomatic trip, one that could help China build its international image. China and the countries the ship visits can all benefit from this trip," said Guo.

"Other nations, including the United States, also send their hospital ships overseas to provide humanitarian services."

Chen Xianguo, senior captain of the *Peace Ark*, described the vessel as a "lifesaving ship. Our voyage is a trip to make friends. It sends a friendly message to countries across the seas, and it's also an opportunity for them to get to know China and her navy."

Contact the writer at  
pengyining@chinadaily.com.cn

Ju Zhenhua, Tang Yue and Zhang Yuchen contributed to this story.

## FIRST PERSON | SHEN HAO

# 'A great responsibility and a great honor'

The *Peace Ark* voyage is an important military and diplomatic mission. For me, it is a great responsibility and a great honor to be the commander.

This trip is the first significant diplomatic task undertaken by the Chinese navy since the 18th National Congress of the Communist Party of China in November. The voyage is intended to develop friendly relations with neighboring countries and also to raise the profile of the Chinese navy.

It will be the first time the *Peace Ark* has participated in a large-scale joint drill with ASEAN, and also the first time that the vessel has provided medical services for foreign soldiers and officers serving in the Gulf of Aden.

China has long participated in global humanitarian affairs and supported the work of many international organizations, including the World Health Organization.

In the past five decades, Chinese medical aid teams have helped more than 260 million people across the globe. In the past five years, the country has sent medical teams to countries on more than 200 occasions.



Shen Hao is Rear Admiral, commander of the 2013 *Peace Ark* mission

sions to provide humanitarian aid after natural disasters and severe outbreaks of disease.

This year's mission will help to improve multinational cooperation in disaster rescue and military medicine. It will also be an opportunity for people from overseas to gain a deeper understanding of China and her navy.

Shen Hao was talking to Peng Yining and Ju Zhenhua

## REPORTER'S LOG | PENG YINING

# Parting is such sweet sorrow

Saying goodbye to loved ones is never easy, but somehow it seems more acceptable when one is leaving on a plane or taking a train; you disappear within a few seconds, before you even remember to turn around to take one last look at your family. It's painful, but quick.

However, leaving on a ship brings out the strongest grief of parting. You watch the coast slowly retreat and the ocean gradually fills one's field of vision.

The process of farewell is long and drawn out — painful and seemingly endless. People standing on the quay wave, and some hold handkerchiefs. It is like a scene from an old movie where people see off a departing naval vessel, which is going into battle in strange waters and may never return. Farewell sailors! Farewell, my friends, my family, my love!

You, too, wave and the tears in your eyes turn the waving handkerchiefs into blurs. Those seeing you off on the dockside have tears in their eyes as well. You can hardly see each other but the waving never stops.

An officer standing on the deck next to me was waving goodbye to

his wife. A soft shore breeze carried early summer drizzle and dampened his white uniform. His lips were pale and taut. His eyes tearful.

This is the third overseas mission for the Chinese hospital ship *Peace Ark*. I joined the 118-day voyage alongside more than 400 sailors, officers and medical crew.

All of them have lives back on land, but once again they have to wave goodbye to their families. For most, this is not their first departure, but the separation never gets easier.

When the quay was too far away to see, everyone was still talking or texting on their mobile phones, squeezing every second before the signal disappeared. I watched my phone's signal become weaker. The voice on the other end was phasing in and out, like the fluttering of the wind, and I felt like a child who tries to catch a feather in a whirlwind.

But eventually the sadness of separation abated. When every connection with the land, mobile phones and the Internet was cut off the crew began preparations for their new life on the ocean wave. The deck became a scene of cheerfulness, activity and order.



# Finding their Zen in sports

Monks of a famous temple say their enthusiasm for badminton is a natural part of their monastic life, **Wu Ni** reports in Hangzhou.

**T**ucked into a steep mountain, the 1,700-year-old Lingyin Temple in Hangzhou, Zhejiang province, has always been a major destination for pilgrims searching for spiritual tranquility.

But few know that the famed Buddhist shrine has the only formal badminton team in China's religious circles, whose monks have competed in matches and won prizes.

In April, a team of four monks from the temple ranked third in the preliminary round of a national badminton tournament. In the second round of the competition where they played with teams from other cities for the title of regional championship last weekend, they again came third.

Yan Kong, 31, captain of the badminton team, says that badminton has long been a popular game for the monks.

"Many are fond of the sport, so we set a field beside the Hall of Five Hundred Disciples as the playground in 2005. And in 2009, we built a standard badminton court on the field and formed the team," says the thin, medium-height monk.

With a glass ceiling and green rectangular floor, the temple's badminton court looks the same as any other gymnasium. Only the khaki walls, matching the look of most Chinese Buddhist temple walls, and the monks' gowns, give the setting some traces of Buddhism.

The team has more than 10 players who practice two to three times a week, normally one or two hours each time, after they have finished their daily routines, says Yan Kong.

The team's public debut was in 2011, when they joined the Hangzhou Badminton Club League and won third place.

"Many spectators were curious. Some said that monks should stay in the temple to study Zen (a school of Buddhism) and meditate, wondering why we appeared," recalls Yan Kong.

The monk says that playing badminton is one outlet for Zen meditation.

"Zen is ubiquitous in our life. If we do things with a heart of Zen, we are in an ashram no matter where we are," he says. "With the heart of Zen, we will not be bothered by our competitors, nor strongly pursue certain results, but will enjoy the process of playing badminton. That is a part of Zen meditation, which is not to achieve something, but to get our spirit purified during the process."

But most of their life is occupied by religion, the monk emphasizes.

Many of China's renowned badminton players have tutored the team, such as Chen Gang, a former national team player who now coaches the national team of South Korea.

Li Xiang, secretary-general of the Hangzhou Badminton Association, is currently the team's coach.

"They called and earnestly invited me to tutor them," Li says. "They are passionate about the sport and very talented."

His daughter, Li-Wang Jingzi, became the partner of Yan Kong in the mixed doubles competition, as the team lacked a female player. "I feel they are easygoing and do not care much about success or failure," says the sophomore of Zhejiang University.

Badminton is not the only star sport of the temple. Zhi Zhong, the monk in charge of the temple's media, says that basketball and ping-pong are also embraced by monks. The temple hosts a *weiqi*, or go, contest every



Monks from Lingyin Temple in Hangzhou, Zhejiang province, are competitive badminton players.

PHOTOS BY LI ZHONG / FOR CHINA DAILY

year and even sends monks abroad to show their skills with the 2,000-year-old Chinese board game.

"Physical practice is not contradictory with religious life," says Zhi Zhong.

For many monks, the passion for sports can be traced back to the time when they were young.

Yan Kong became a monk in 1998 and attended the Minnan Buddhist College in Xiamen of Fujian province. He recalls that many of his classmates would go to neighboring Xiamen University to play basketball, ping-pong or tennis. Later, the hobbies were naturally brought to temples.

"Maybe the life of monks has been thought to be mysterious or stereotyped as secluded meditation," he says. "Actually, we also participate in social activities."

In the past, when agriculture was the pillar of the social economy, Buddhist temples had farmland and monks had to feed themselves by doing strenuous farm work. Then, farm work played the same important role as Zen meditation, according to Yan Kong.

And that's why a founding father of Zen had a famous saying that carrying water, hauling firewood, eating and putting on clothing are all part of Zen for Buddhist monks.

Now, temples in cities do not need to cultivate farmland, so monks can turn to sports and social activities, which help to enrich their lives and their meditation, Yan Kong says.

Contact the writer at [wuni@chinadaily.com.cn](mailto:wuni@chinadaily.com.cn).

Jiang Yinan in Shanghai contributed to the story.



Monks from the temple cheer for their team during a national badminton tournament.

## what'snew



### Wong in contention at Golden Goblet

Hong Kong director Barbara Wong is a contender for the Golden Goblet Award at the 16th Shanghai International Film Festival, which runs through June 23. Wong's romantic drama, *The Stolen Years*, stars Bai Baihe, the actress who leads in smash hits like *Love Is Not Blind* and *A Wedding Invitation*. It tells the story of an advertising company executive who partly loses her memory and tries to rebuild her relationship with her boyfriend. The film competes with two more Chinese productions among the 14 nominated pictures. *Amazing*, a homemade 3-D film, stars Huang Xiaoming and NBA star Dwight Howard. Hong Kong action film director Dante Lam presents *Unbeatable* about a boxer's life. The awards ceremony will be held on the evening of June 23.

### Intangible cultural heritage recognized

The Chinese National Academy of Arts and China Oceanwide Group jointly presented the second Xinchuan Awards to 60 people from all over China to recognize their work in passing down intangible cultural heritage. The awardees include inheritors of Chinese music, dance, art, embroidery, crafts and medicine. They were nominated by the intangible cultural heritage safeguarding centers of each province, municipality and autonomous region, and selected by a jury of experts. Founded last year, the awards are presented annually.

### Theater managers receive a master class

A master class for theater managers has concluded in Beijing. Twelve experts and managers from theaters and troupes around the world shared with their Chinese counterparts the secrets of marketing, financing, pricing strategies and human resources management at the Central Academy of Drama. More than 40 managers from Chinese art institutions enrolled in the class. Xu Xiang, president of the academy said: "By combining the most advanced management concepts with Chinese culture, we will find the best way to run our theaters and art troupes."

CHINA DAILY

# Passionate judge learns from handling foreigner-related cases

By CAO YIN  
[caoyin@chinadaily.com.cn](mailto:caoyin@chinadaily.com.cn)

Liu Li was shoved into the limelight as the judge for a high-profile domestic violence case involving Li Yang, founder of Crazy English language school, and his wife earlier this year.

Li Yang's case lasted almost a year and a half after Kim Lee, his wife from the United States, published photos showing her injuries on a micro blog in 2011.

The case attracted extensive media coverage, sparked heated public discussion on domestic violence and also brought attention to Liu — a judge from Aoyuncun court, affiliated to Beijing Chaoyang District People's Court — and even her kindergarten-age son.

"As a judge, I have to pay more attention to what I wear and say during trials, especially if it involves celebrities, because our every movement will be exaggerated in the media and among the public."

Li's case is not the first foreigner-related case in Liu's 11-year work. A graduate of Renmin University of China, Liu has tackled more than 300 cases involving foreigners. She says the number of foreign disputes in the area is growing by about 10 percent every year.

The administration established the affiliated court specially to hear foreign civil cases in 2008, as more foreigners settle down in Chaoyang district of Beijing.



Liu Li has tackled many foreigner-related cases as more foreigners settle down in Chaoyang district of Beijing.

PROVIDED TO CHINA DAILY

As per China's Civil Procedure Law, judges must speak Chinese when dealing with foreign cases, but they must have some knowledge of foreign languages.

Liu still remembers her first foreigner-related case in 2007. It involved a British boy, whose arm was broken while playing in a

kindergarten, prompting his parents to sue the school.

"It's interesting because foreigner-related disputes are sometimes also filled with cultural differences," Liu says, adding she has learned a lot from the process.

In 2012, a 15-year-old foreigner, who

speaks French, was burned while doing an experiment with an alcohol lamp during a chemistry class at a Beijing-based international middle school. His father, an ambassador, lodged a lawsuit.

Because the injured was a minor, the judge hid his nationality and refused to provide his name.

"It was really like an international world court, because the defendants, including many teachers in the school, were from various countries. All parties brought their translators and debated respectfully," she says, adding the plaintiff finally got about 560,000 yuan (\$90,000) in compensation.

"What impressed me deeply was the courteous trial, although it lasted more than three hours. Everyone in the court was sensible and controlled their emotions, which gave me a calm atmosphere to give the verdict and that was also why the case proceeded smoothly," she says.

From the case, she learned to comfort people with grief in court, especially those who lost their relatives.

"Actually, the process to comfort others is a good way to release my own emotions. After all, I also need to release after absorbing so many negative emotions," she says.

Working overtime has become a common thing for the judge, who has about 100 cases in the pipeline.

She says the longest case she ever tried lasted almost two years.

"Judges hearing foreigner-related cases

must be patient. We're not only judges, but we also embody China's legal image. We should let foreigners know that Chinese laws can protect them if they run into disputes," she says.

Apart from handling foreigner-related cases, Liu also has to try Chinese civil disputes. To relax, she goes hiking with her son for some family bonding time.

Liu says she is motivated when she receives encouragement from the plaintiffs or defendants in cases she handles.

She once received a thank-you card written by a boy, whose mother, a Canadian, won properties following her divorce case.

Zhang Yu, a young judge in the court, considers Liu to be her inspiration. "Liu analyzes legal problems with me and gives me suggestions, even when she is busy and overwhelmed by big cases," Zhang says.

Li Quansheng, the head of the court, agrees with Zhang and uses the word "passionate" to describe Liu's attitude toward work and life. Li says Liu always finds hope in desperate cases.

"She often shares her cooking with us and recommends the latest US TV series, when she sees that we have complicated cases," Li says. "Yes, she is a happy judge, and a happy woman."



Online

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# BAA, BAA, LAB SHEEP

There are many celebrity animals, but at the moment, none is more famous in China than a woolly creature that lives in Tianjin. **Liu Zhihua** has the story.

At the TEDA International Cardiovascular Hospital in Tianjin, there is a very famous animal of the woolly persuasion. His name is Tianjiu, a sheep whose name has hogged headlines in the mainstream media, and whose photograph went viral on the Internet.

The 2.5-year-old animal is famous because he is wearing a ventricular assist device (VAD) that was developed and made in China and is doing very well. The device was implanted on March 14, and Tianjiu is still living, healthily.

Previously, the longest time an animal implanted with a Chinese VAD had lived was only 38 days.

The hospital launched the program in 2009, together with a branch institute of China Academy of Launch Vehicle Technology.

"Such a successful trial has never been done before in China. It is absolutely a great breakthrough," says Liu Xiaocheng, president of the hospital and team leader of the VAD program.

"Based on this success, we are going to carry out group animal trials and then clinical human trials when we get approval from health authorities. We will likely find a permanent treatment for heart failure through the use of VADs."

Heart failure is a worldwide medical issue. The condition occurs when the heart cannot pump enough blood to cater for a healthy body. A heart transplant is currently the only reliable treatment for end-stage heart failure.

Patients waiting for a heart transplant may not last until they find a suitable donor, because demand always exceeds supply, Liu says.

Because of this, many doctors see VAD as an alternative lifeline for people with end-stage heart failure, especially when the patient cannot have a heart transplant.

In China, there is an estimated population of 16 million heart failure patients currently, many of whom are in the end stage. However, only about 100 heart transplants are conducted each year, Liu notes.

VAD is a mechanical pump that assists blood circulation and can partly or completely take over the function of a damaged heart, Liu adds.

Since the first VAD got United States Food and Drug Administration's approval in 1994 for clinical use, some countries, including the US, Japan and Germany, have developed various VADs and have used them either as a bridge to heart transplants, or as alternative therapy.

Although scientists in Beijing implanted VADs in animals as early as in the 1980s, about a decade later after similar experiments in the US, China had yet to develop its own domestically produced VADs for clinical tests.

"Making a VAD is not only a medical, but also an engineering and technology challenge," Liu says. "We lag behind international levels, although a lot of professionals have invested effort for the cause."

To meet the needs of a VAD user, the design must be based on a perfect



**Making a VAD is not only a medical, but also an engineering and technology challenge."**

LIU XIAOCHENG  
PRESIDENT OF TEDA INTERNATIONAL  
CARDIOVASCULAR HOSPITAL IN TIANJIN

medical understanding of the mechanism of the heart, heart failure, its causes, symptoms, progressive stages and so on. An artificial device would need to address the health problems and avoid undesirable results.

It is the engineers' job to make a device out of the design — not easy, because it takes time, energy and experience to realize the functions the design requires, and minimize mechanism-related incidences, and decide what material and technology to use.

A computer-aided testing system is also needed to virtually test the design to modify it, and the effectiveness of such a test is dependent on the reliability of the hardware and software system involved.

"The design is like a draft blueprint drawn by the medical team, and only the closest cooperation and communication between the medical team and the engineers can make the design come true," says Zhang Jiemin, director of the animal trial center at the hospital.

"Any negligence on either team will lead to failure."

The VAD the hospital has designed is a new type that few countries have. It will be smaller, with greater stability and efficiency, but less likely to cause infection, thrombosis, or limit the users' daily activities.

By this reckoning, it is more demanding on both the medical and engineering teams.

Tianjiu, the sheep, was the 18th animal to be tried on the program. All former trials had failed.

With the VAD implanted, the ram is healthy and cheerful, and apparently enjoying his high profile. He poses for the cameras when there are visitors taking pictures.

He also has the company of another sheep, whose grandmother and mother were also trial subjects.

Tianjiu literally means "forever", and the hospital hopes the sheep will live a healthy life to a ripe old age.

The hospital plans to carry out clinical trials in a year, and hopefully there will be good results, according to Liu Xiaocheng, the hospital president.

His optimism is not shared by all, and Yuan Biao, a cardiac surgeon with No 1 Hospital of Tsinghua University says he believes locally made VADs will not be as good as those now widely used in foreign countries, at least not in the near future.

He feels there is too much of a gap in technology. But he applauds the current efforts, saying it is necessary for China to develop its own VADs.

Contact the writer at  
liuzhihua@chinadaily.com.cn.

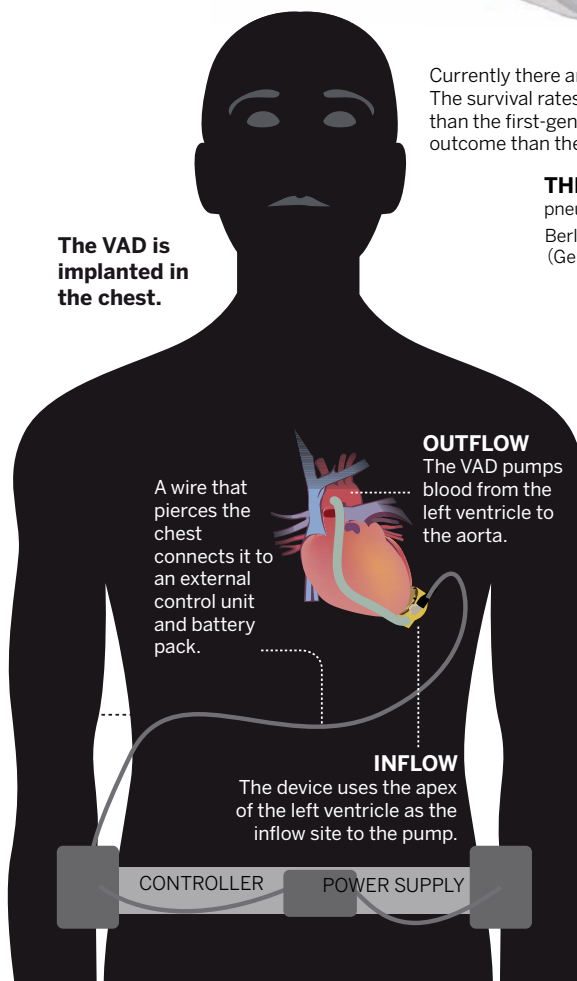
## HAVE A HEART

A ventricular assist device is a mechanical pump that assists blood flow, and can partly or completely takes over the function of a damaged heart. VADs were first designed as bridges to heart transplants, but were later established as destination therapy for end-stage heart failure.

The device takes blood from a lower chamber of the heart (ventricle), and helps pump blood to the body and vital organs, just as a healthy heart would.

### MAGNETIC FLUID SUSPENSION CENTRIFUGAL BLOOD PUMP

Connection part with ventricle



**The VAD is implanted in the chest.**

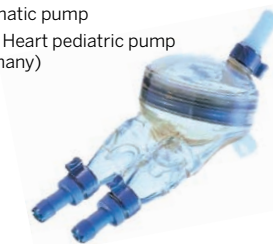
Currently there are three generations of VADs. The survival rates of patients using VADs vary: Second-generation VADs are better than the first-generation ones, and the third-generation is believed to have a better outcome than the second-generation ones.

#### THE FIRST GENERATION

pneumatic pump

Berlin Heart pediatric pump (Germany)

AB5000™ pump (USA)



#### Squeezing Blood Pump

Ventricular assist devices  
Novacor US



#### Pneumatic Artificial Heart

Akutsu III  
TAH  
US



#### THE SECOND GENERATION

axial blood pump



#### THE THIRD GENERATION

magnetic suspension blood pump



Source: TEDA International Cardiovascular Hospital

GUILLERMO MUNRO / CHINA DAILY

## Medical experts call for effective stem cell treatment regulation

By **LIU ZHIHUA**  
liuzhihua@chinadaily.com.cn

Medical experts have called for more effective regulation of stem cell treatments research, so that the cutting-edge technology for treating serious health conditions, such as cancers, Parkinson's disease and diabetes, could develop more healthily in China.

Medical professionals, government officials and businessmen recently discussed the challenges of China's stem cell research at a confer-

ence as part of the Global Healthcare Services of the China Beijing International Fair for Trade in Services.

Stem cell treatment is an intervention that introduces stem cells to stimulate living and functional tissues to regenerate and repair dysfunctional tissue and organs in the body.

It has been a hot spot in medical research since the 1980s.

"Stem cell treatment research in China faces a dilemma. If the government loosens regulation, many illegal practices will occur," says Lu

Shibi, an academican of the Chinese Academy of Engineering.

But if the government tightens the regulation, many research projects have to be suspended, explains Lu, also a famous orthopedic specialist who pioneers stem cell therapy research.

"That is because the current regulation issued by health authorities on stem cell therapy research is not up to date," Lu says.

In most countries, stem cell therapies and research are not being practiced at a clinical level, because of

strict regulation of trials over safety and ethical concerns.

A most common unsolved side effect of stem cell treatment is tumors.

But, it is not a secret that there have been a lot of clinics and hospitals providing stem cell treatments to patients in China.

Such treatments have not been proven safe and efficient through strict clinical trials, says Han Zhongchao, president with Institute of Hematology under the Chinese Academy of Medical Sciences and

Peking Union Medical College.

Since May 2013, only top-level hospitals are entitled to apply for approval of stem cell treatment clinical trials, and such trials are free for patients involved.

But critics say there are no detailed standards on the qualification of trial performers and facilities in the ordinance.

Besides, new regulations do not address the dispute on whether stem cell treatments are drug therapies or medical technologies, which ultimately will decide which govern-

ment department is responsible for the research.

"There are a lot of irresponsible researchers and institutes that abandon professional ethics and pursue only profits," Han says.

"But there are also a lot of researchers devoted to stem cell treatments research, because they want to help patients."

"We hope there will be more refined and effective regulation of stem cell treatments, to create a better environment for those devoted researchers."



# view

CHINADAILY

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EDITORIALS

## Untie Syrian knot

THE CRISIS IN SYRIA IS WORSENING WITH EVERY passing day, miring the country in bloodbaths and fueling widespread concern from the international community. But it is even more troubling to see that Western countries led by the United States are accelerating their efforts to aid the Syrian opposition in their bid to force a regime change in the country.

After the European Union reversed its arms embargo policy to allow the arming of Syrian rebels, the US lifted its sanctions on the Syrian opposition last week and decided to provide lethal aid to Syria's rebels. Yet Washington's claim that Syrian government forces have used chemical weapons, which it says crossed the line and is a game changer for the two-year-old crisis, is, at the very least, one-sided if proved true.

With reports from the United Nations and some Western media showing the opposition forces have used chemical weapons, Washington's decision to send weapons to the rebels lacks solid ground.

Especially as members of al-Qaida and other extremist groups have long penetrated into Syria and mingled with the rebel forces there, which is the very reason the West had adopted a comparatively cautious approach toward arming the opposition.

The US and its Western allies cannot be so blind that they are unable to foresee the tricky situation that lies ahead when they set out to remove the last obstacle to arming the rebels, as some of the weapons they intend to provide will very likely end up in the wrong hands and help al-Qaida expand its influence in the war-torn country and even the region at large.

There have been media reports about atrocities that some rebel forces have committed, which must have prompted Russian President Vladimir Putin's rebukes against arming "organ-eating fighters" when responding to the US decision.

In their meeting on the sidelines of the G8 summit on Monday, Putin and US President Barack Obama agreed to push for a summit in Geneva on Syria, despite admitting the big differences they have on Syria.

The new Geneva summit should be held as soon as possible. At a time when the West is hastily paving the way for military intervention, it might be the last chance for the international community to conjure up political resolutions to end the crisis.

## Ward off capital risks

THE YUAN KEEPS RISING, INTER-BANK RATES have shot up, and foreign exchange purchases have slumped, such conflicting trends have caused worries among puzzled China watchers. But are such fears justifiable?

The yuan hit new highs on Monday in terms of the official central parity rate, rising to 6.1598 against the US dollar before edging down on Tuesday. It has risen by more than 2 percent since the start of this year.

While the economic fundamentals are out of line with the currency appreciation momentum, the fast pace of yuan revaluation is also in contrast to the money market conditions. The interest rates that Chinese banks charge each other for short-term loans unexpectedly surged recently, indicating a sudden liquidity shortage that demands central bank intervention.

New foreign exchange purchases, which are a main gauge of money inflows, also slumped to 67 billion yuan (\$10.9 billion) in May, compared with nearly 300 billion yuan in April.

The stock market, meanwhile, has also shown prolonged weakness in recent trading days.

Some analysts have said the diverging trends of yuan appreciation and liquidity tightness show that the attraction of the rising yuan to foreign capital is on the wane and there could be an unaffordable capital exodus that results in a hard landing for the Chinese economy.

Admittedly, some international capital is flowing out of the emerging-market economies, including China, due to the sustained improvement in the economic fundamentals of the United States. Despite a capital drain, the world's second-largest economy remains capable of handling it given its sound fundamentals.

The Chinese economy continues to expand at more than 7 percent, a rate that is the envy of many other countries and its exports continue to grow, while its consumption remains resilient.

More importantly, it has ample foreign exchange reserves — \$3.44 trillion by the end of March — to ward off the risks of a large-scale capital exodus.

### CHINA DAILY USA

#### NEW YORK HEADQUARTERS

1500 Broadway, Suite 2800, New York, NY 10036

Telephone: 212-537-8888

Fax: 212-537-8898

Subscription: 212-537-8899

readers@chinadailyusa.com

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#### WASHINGTON

National Press Bldg, Suite 1108

529 14th Street NW

Washington, DC 20045

Tel: 202-662-7249

Fax: 202-662-7247

#### LOS ANGELES

350 S. Figueroa St.

Suite 509

Los Angeles, CA 90071

Tel: 213-232-0130

Fax: 212-537-8898

#### SAN FRANCISCO

575 Market Street

Suite 1875

San Francisco, CA 94105

Tel: 415-348-8288

Fax: 415-348-8388

#### SEATTLE

1700 Seventh Ave. Suite

2100

Seattle, WA 98101

Tel: 206-357-8514

Fax: 212-537-8898

CHINA FORUM | CHI FULIN

# Sustainable urbanization

## The rich experiences of Germany and other countries can help China avoid traps and overcome problems

When Premier Li Keqiang visited Germany in late May, a number of cooperation agreements were signed between the two countries, and they agreed to implement the China-German urbanization partnership and carry out cooperation to build low-carbon eco-cities. Urbanization therefore is an important field for exchange and cooperation between the two countries, and indeed China and Europe.

But four questions concerning China's urbanization need to be answered.

First, how to increase the urbanization rate?

According to international experience, when a country reaches the middle or late period of industrialization, its urbanization rate is usually around 70 percent. In 2012, China's urbanization rate was officially 52.6 percent, which was more or less the same level as that of Germany in 1950 (52.9 percent), Japan in 1955

(56 percent), and that of the Republic of Korea in 1978 (53.3 percent).

All these demonstrate that, although China's urbanization has been proceeding rapidly in recent years, its urbanization rate is not as high as it should be and it is lagging behind its industrialization. However, it also implies the huge potential of domestic demand will be a future driver for development, which is a major condition to support a medium GDP annual growth rate of 7 to 8 percent over the next decade. That is to say, China's urbanization can potentially develop at an annual rate of 1 to 1.2 percent over the next 10 years. Learning from the urbanization experiences of other countries, Germany in particular, will be very important if China is to achieve smooth and more sustainable urbanization.

Second, how to increase the population level of urbanization?

The official urbanization rate is 52.6 percent, but this includes the 260 million rural migrant workers in the urban population. If rural migrant workers are not included, China's real urbanization rate is only

35.2 percent. This is much lower than the world average of around 52 percent, and it is less than half that of countries such as Germany and the ROK.

Premier Li Keqiang has long been emphasizing that "the essence and the core of urbanization is population urbanization". The low level of population urbanization directly affects not only the quality of urbanization, but also the upgrading of the economic structure and transformation of economic development patterns.

To increase the level of population urbanization, we need to learn from and cooperate with countries like Germany. Especially, we need to learn and draw on their experience in formulating a policy and institutional system for population urbanization.

Three, how to solve the issue of population over-aggregation in big cities?

At present, Beijing, Shanghai, Guangzhou and Shenzhen are the four most populous cities in China. The population in both Beijing and Shanghai exceeds 20 million, more than their planned capacity of 18

million by 2020. On the other hand, the population in medium and small cities has been declining. Although house prices have remained high in big cities, the attractiveness of big cities to migrants is still far stronger than that of the smaller cities.

The Chinese government has been prioritizing the development of medium and small cities and rural towns, and has promulgated many policies for this purpose. Yet it is still a case of "feeling the stones in the river" as Deng Xiaoping observed. In Germany, there is a rational industrial, employment and population distribution, as 60 percent of the population and 80 percent of small and medium-sized enterprises are located in small towns with a population less than 20,000 each.

China can tackle the problem of irrational population distribution by learning from the experience of countries such as Germany.

Four, how to improve the quality of urbanization?

All the big cities in China suffer from "urban diseases", such as serious air pollution and traffic congestion. And there are still bottlenecks that prevent effective efforts to tackle the problems brought about by urbanization. Germany and other developed countries have rich experience in protecting the urban environment and easing traffic jams. Therefore, China will strengthen exchanges and cooperation with Germany and other countries to improve the quality of its urbanization. This is a practical and urgent need for China.

A new type of urbanization in China will not only unleash the biggest potential driver for its future development, it will also greatly contribute to the rebalancing of the world economy. For this purpose, China needs to establish platforms for exchanges and cooperation with Germany and other countries.

*The author is president of the Hainan-based China Institute for Reform and Development.*

LUO JIE



WANG SHENG

## Pyongyang offers dialogue and hope

The Democratic People's Republic of Korea seems to have taken a U-turn from its belligerent rhetoric after the United Nations imposed sanctions on it for conducting its third nuclear test and launching a satellite.

Although earlier it had lashed out at the joint military drills between the United States and the Republic of Korea, on Sunday the DPRK proposed talks with the US. The US has responded by saying it is open to talks.

The other major development will be the strategic dialogue between China and the DPRK on Wednesday, to be followed later by trilateral talks among the ROK, Japan and the US on how to deal with the DPRK.

The situation on the Korean Peninsula appears to be changing for the better, and the related parties should seize this opportunity to end tensions in the region. China, in fact, has been making great efforts to restore order on the peninsula.

At a meeting with visiting DPRK special envoy Choe Ryong-hae on May 22, President Xi Jinping emphasized China's commitment to the denuclearization of the peninsula. Xi told Choe that the related countries — the DPRK, the ROK, China, the US, Japan and Russia — should resume the Six-Party Talks. The peninsula seems to have witnessed some positive changes since then.

On June 6, the DPRK's Committee for the Peaceful Reunification of Korea proposed holding direct talks with the ROK, which was accepted

by the ROK's Ministry of Unification. Three days later, the two sides held working-level talks at the Panmunjom border village.

The situation on the Korean Peninsula is changing for several reasons.

First, China made its stance on the peninsula issue clear and prevented the situation from escalating further. In his talks with visiting US Secretary of State John Kerry on April 13, Foreign Minister Wang Yi said: "China's stance on the Korean peninsula is consistent. No matter what happens, China will stick to denuclearization and peace on the peninsula and settling the issue through dialogue."

Though denuclearization of the peninsula is the basis of China-US cooperation, the two sides differ on how to reach that goal. For example, at the US-ROK talks the two sides agreed to exert more pressure on the DPRK to promote negotiations, which could have intensified the already simmering situation on the peninsula.

So China reiterated that its policy on the peninsula is clear: It is committed to restoring permanent peace, stability on, and denuclearization of the peninsula through dialogue and consultations.

Second, China has been sincerely working for a temporary as well as a permanent resolution to the issue. If it is important to resolutely implement the UN sanctions on the DPRK and restrict its nuclear development capabilities, it is equally important to eliminate the root

causes of the DPRK-ROK conflict through the Six-Party Talks in order to denuclearize the peninsula.

Third, improving China-DPRK relations and increasing mutual communication are important ways of easing tensions on the peninsula. Since December 2012, China-DPRK relations have undergone a subtle change. This process enabled the two sides to arrange for Choe Ryong-hae's visit to China, where at his meeting with President Xi, he agreed to make efforts to restart the Six-Party Talks.

Fourth, the tough sanctions imposed on the DPRK after it conducted its third nuclear test in February prompted it to accept China's proposal to improve inter-Korean relations and hold direct talks with the ROK to end its isolation from the international community. Although the two Koreas still have many differences, the DPRK has given positive signals to ease tensions on the peninsula, which is a welcome change.

So what are the prospects of denuclearizing the Korean Peninsula?

During their meeting on June 7 to 8, presidents Xi Jinping and Barack Obama agreed to push for the denuclearization of the peninsula. US National Security Advisor Tom Donilon said both leaders agreed that the DPRK had to abandon its nuclear program, that a nuclear-armed DPRK was not acceptable to either country and that China and the US would work together to deepen cooperation and dialogue to restore permanent

peace on the peninsula.

The DPRK nuclear issue could become a new starting point for Beijing and Washington to improve their strategic mutual trust. Such an agreement between Beijing and Washington could impel Pyongyang to abandon the ambition of becoming a nuclear power and make diplomatic efforts to show it is moving toward denuclearization.

ROK President Park Geun-hye will visit China later this month for her first meeting with President Xi. And the DPRK nuclear issue is likely to be high on the agenda of that meeting.

The future course of the DPRK depends on whether China, the US and the ROK can agree on how to resolve the peninsula nuclear issue through dialogue and consultations. If the US and the ROK keep insisting on putting excessive pressure on the DPRK to bring it back to the negotiating table, they could evoke the opposite reaction from Pyongyang.

It is time the relevant parties held talks to decide how to persuade Pyongyang to abandon its nuclear program. And now that the DPRK is willing to talk, the other parties should seize the opportunity and create the conditions for an early resumption of the Six-Party Talks, so that they can push for an early turnaround of the situation and restore permanent peace and stability on the peninsula.

*The author is a professor in international studies in Jilin University.*



M.D. NALAPAT

# Snowden storm stains US

There has been a growing disconnect between the inherent qualities of US citizens and the actions of their government. The election of Barack Obama to the Oval Office five years ago demonstrated the essentially liberal spirit of the American people. But the same cannot be said of the US governance structure, which very often pursues policies designed to help the few who are major contributors to political candidates than the millions who vote for them.

Because of the immense influence of powerful interest groups over the corporations that control much of the media in the US, the people of that country are seldom given an informed choice about events, especially those relating to foreign affairs.

To this day, many Americans believe that Saddam Hussein and Muammar Gadhafi supported al-Qaida leaders. The reality is, Saddam and Gadhafi both were targets of al-Qaida assassination plots for a long time because, whatever their other faults might have been, both subscribed to moderate theologies rather than the extreme version of Islam.

For years, the US has been lecturing China on hacking Internet accounts. It is almost certain that some entities, individuals or groups, in China do hack Internet accounts. But then all — repeat all — major powers do the same and make China the scapegoat.

The US has escaped any attention concerning its state-sponsored hacking programs. In fact, the US as well as the European Union member states have been silent about the fact that they have the maximum number of surveillance cameras per thousand people.

That's why former CIA agent and National Security Agency specialist Edward Snowden's exposure of some of the details about the NSA's gargantuan program to clandestinely scoop up information from across the world should be considered a public

service. Were the sole purpose of such theft of data the prevention of terrorist acts, as is being claimed by the Obama administration, the world would not have been as angered by Snowden's revelations as it is now. It's clear the US has used Osama bin Laden and his fanatic band of followers as a pretext to snoop around the world.

Using the cover of the "war on terror", the US has given itself untrammelled access to information that can be used to further not only security, but also commercial interests.

For example, take the case of a policymaker in a major developing country — say, India — who adopts a policy to protect domestic interests. In case such a policy threatens American goals, the US could get dubious entities to call the policymaker over the phone or send him/her some e-mails. Using such communications, the US officials can then launch a phishing expedition across offshore banking centers to see if the politician has illegal accounts. And if the officials get any incriminating evidence, they can simply blackmail the policymaker into complying with the dictates of the US administration or destroy his career by leaking information about his/her ill-gotten wealth.

The unfettered access of the US to offshore banking data means that policymakers across the globe, many of whom are corrupt, are at the constant risk of exposure if they refuse to play ball with the US at the cost of their domestic industries.

Since major international Internet service providers are based in the US, the private e-mails and phone calls of more than 2 billion people across the globe can be made available to US authorities and their NATO allies. This could include details about their personal lives, which could be leaked to the media whenever they take a firm stance to protect their countries' interests against the dictates of the US or its NATO allies. The Iraq "Oil for Food" scandal

was an apt example of how a so-called independent commission (headed by former US Federal Reserve chairman Paul Volcker) found only those people guilty of malpractice who were known to be resisting US pressure.

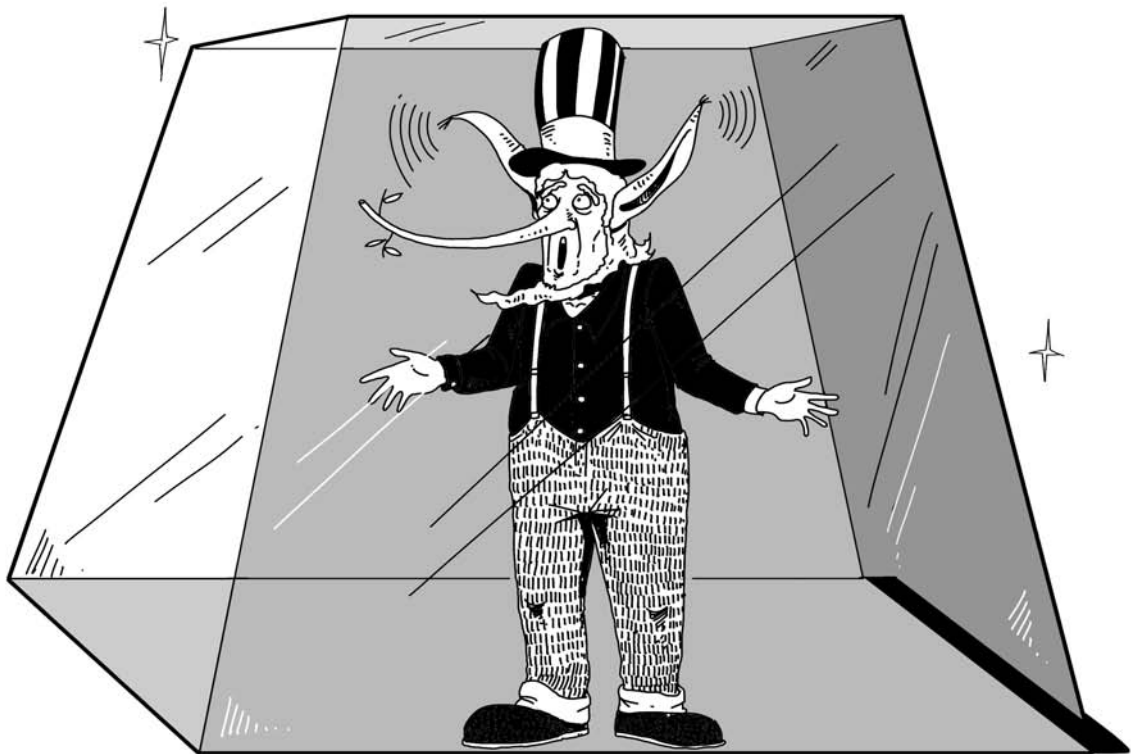
The Volcker report reportedly preferred not to name a prominent Indian politician, considered close to the US, even though she was one of the suspected beneficiaries of the scandal. But the report didn't show a similar forbearance toward former Indian foreign minister K. Natwar Singh, who is a life-long proponent of non-alignment, a movement that the US and NATO detest. Ultimately, a lobby within the Indian government forced Natwar Singh to resign from the federal cabinet, much to the relief of those who found his adherence to nonpartisan principles irksome.

How many independent-minded politicians across the globe have fallen prey to the information gleaned by the NSA? How many companies based in the US and other NATO member countries have benefited from illegally collected data on their competitors in other countries?

Since politicians in the US and other NATO member states can pretend to be acting against potential terrorist funds to hack the accounts of individuals and companies in other countries for the benefit of their local enterprises, it would be naive to think that they have not used such information to also promote their political interests.

Therefore, the use of the NSA as a phishing net, designed to get information from hundreds of millions of individuals and companies wholly unrelated to terrorism, need not merely be condemned, but also subjected to penalties.

*The author is vice-chair of Manipal Advanced Research Group and UNESCO peace chair, and professor of geopolitics at Manipal University, India.*



LI FENG / CHINA DAILY

WANG HUI

# A case of the thief crying, 'Stop! Thief!'

Since Edward Snowden, the former US government subcontractor, stepped into the media limelight to reveal secret US surveillance programs less than two weeks ago, the war of words between the United States and China over cybersecurity has taken an abrupt turn. While watching the Snowden drama continue to unfold, the world has a chance to contemplate the US' hypocrisy and urge the country to stop peeping into other people's backyards.

In the past few months, high-ranking US officials had ratcheted up their accusations about cyberattacks and even cyber espionage allegedly by China. They claimed the Chinese government and military were behind the alleged wrongdoings. Such finger-pointing has cast a shadow on the generally rosy picture of China-US relations as it has helped whip up a new round of anti-China sentiment in the US.

China has repeatedly denied the US' accusations and the world's sole superpower has failed to provide any tenable evidence to justify its allegations. Beijing has offered to cooperate with Washington over cybersecurity issues as it, too, is a victim of cyberattacks. Yet it seems Beijing has been talking to deaf ears. Worse, with Western companies dominating the global media apparatus, Beijing's rebuttals and tangible concerns have more often than not been drowned out by the biased one-sided chorus of US politicians and the Western media,

which have been loudly trumpeting a cyber threat from China.

Had it not been for the Snowden drama, the world might have remained ignorant of the fact that the US' holy-than-thou grandstanding was merely misdirection to reinforce the illusion that it was the victim not the perpetrator. According to the revelations of Snowden and a Foreign Policy website article, the US security authorities have habitually instigated cyberattacks against China in the past years.

In an interview with the South China Morning Post on June 13, Snowden made explosive claims that the US National Security Agency's controversial Prism program has for years been hacking into computers in Hong Kong and on the Chinese mainland in a systematic way.

Meanwhile, a Foreign Policy website article published on June 10, entitled "Inside the NSA's Ultra-Secret China Hacking Group", reports at length about the formation and function of the Office of Tailored Access Operations, under the NSA, which is the biggest spy surveillance organization in the world.

According to the article, TAO has successfully penetrated Chinese computer and telecommunications systems for almost 15 years, generating intelligence information about what is going on inside the country.

If true, both the scope and the long duration of the US hacking directed at China are beyond tolerance.

Compared with the hollow US accusations against China, allegations of US hacking against China from an ex-CIA employee and a respected media outlet sound far more reliable and convincing.

Hence, the hypocrisy of Uncle Sam is self-evident: For a long time Washington has played the game of a thief crying, "Stop! Thief!"

Regrettably, there is still no sign that the US authorities are ready to learn a lesson from the on-going information collection scandal and stop wrongdoings that infringe upon the rights and privacy of other people and countries.

To continue their mud-throwing game, some in the US, former vice-president Dick Cheney most prominently have called Snowden a "traitor" and alleged that he may be a spy for China. Such a claim is clearly absurd, and it is clear that the US authorities are at their wit's end about how to deal with the chain reactions Snowden's leaks have set off.

An honest reflection on the wrongdoings and reparative measures are the right way for the US to cope with the aftereffects of the hot potato dropped by the ex-CIA analyst and a former employee working for defense contractor Booz Allen Hamilton at the NSA. Any attempt to shirk these responsibilities would only further erode the credibility of the US.

*The author is a senior writer with China Daily E-mail: wanghui@chinadaily.com.cn*

JASPAL BINDRA

# Firms line up for Myanmar opportunity

As senior decision-makers from around the globe descended on Myanmar's capital of Naypyidaw for the World Economic Forum on East Asia recently, multinational companies were lining up to explore the huge commercial opportunities in the country.

At Standard Chartered, we're seeing strong, and growing, interest in Myanmar from clients across the globe and across all business sectors. With the European Union lifting the last of its non-military sanctions on Myanmar in April, European corporates, hungry for growth as demand at home remains weak, have shown the greatest interest in the country.

Multinationals are starting to cautiously put money to work in Myanmar. Many have already opened representative offices or branches in the country, recognizing that the pace of reform is now so rapid that you have to have people on the ground to seize the opportunities as they unfold.

Multinationals have long since spotted the economic potential of this vast country with a population of more than 60 million. Myanmar, once the world's largest rice exporter, is rich in natural resources, such as oil, gas and timber. The country is also strategically located between India and China and is a member of the fast-growing ASEAN trading bloc, which it is scheduled to chair next year.

Often regarded as Asia's last large frontier market, Myanmar has opened up much faster than expected in the past year, because the government has set its sights firmly on economic reform to create jobs and lift incomes. The passing of a new foreign investment law at the end of 2012 marked an important milestone in creating a more investor-friendly climate in the country.

This spring, Myanmar took another major step by inviting global telecom companies to bid for nationwide telephone service licenses, and companies taking part have been impressed with the transparency of the process. With less than 10 percent of its citizens currently using mobile phones, Myanmar is the world's largest untapped cell phone market. A leap in connectivity could accelerate the country's economic development, as we have seen in many markets.

Three large special economic zones (SEZs) are now being set up in Myanmar, including Dawei, with plans for a major deep-sea port, and Thilawa, with a large-scale industrial zone near Yangon — once one of Asia's most thriving cities. Supported by Thailand and Japan, the SEZs promise to transform the country's economic future, capturing fast-growing trade and investment in Asia.

Some changes are evident already to anyone visiting Myanmar. Hotel rooms going empty a year ago are now full to capacity, at four or five times the rate, as the country's vast tourism potential begins to take off. ATMs, which were once a rarity, are found in the dozens in major cities, following agreements with two global payment companies. So you can withdraw Myanmar kyats using your Visa or MasterCard credit card.

These developments underscore the government's willingness to draw upon investment and experience from abroad to open up Myanmar's economy. Another good example is the work underway to build a modern financial system, for which Myanmar is seeking the help and advice of institutions such as the World Bank, the International Monetary Fund, Standard Chartered and other financial institutions.

Doing business in Myanmar, however, remains difficult, as many of our clients tell us. The financial system is at an early stage of development. Very few people have bank accounts and facilities for wire transfers are poor. The speed of legal and regulatory change adds uncertainty to the challenges, as do skill shortages.

Moreover, targeted US sanctions against Myanmar remain in place, including in key areas such as financial services. Given that the bulk of global trade is denominated in dollars, until the US removes uncertainty by lifting the sanctions, as the EU has done, potential US and other investors and trading entities will continue to hesitate making commitments.

Addressing the long list of political, economic and social challenges will take time after Myanmar's five decades of isolation. But it's neither reasonable nor desirable to expect everything to happen overnight. The democratic process needs time to work and it's crucial that the country gets its reform process right. What's also critically important is that foreign investment into Myanmar takes place in a sustainable manner that does not promote change for change's sake, but for the "betterment of society", as called for by Aung San Suu Kyi at the ASEAN 100 Leadership Forum in Yangon in December.

One thing seems certain — Myanmar is not turning back. And no one should doubt the huge potential the country has as it seeks to catch up with its ASEAN neighbors. Myanmar's GDP grew 6.5 percent in the last fiscal year and may reach 6.75 percent in 2013, according to the IMF. Official Myanmar figures suggest foreign direct investment was up by five times in the same period, to more than \$1.4 billion. We believe this momentum will pick up further — with investment diversifying from the energy sector to manufacturing, tourism, agriculture and banking — as multinationals buy into Myanmar's great prospects.

*The author is group executive director and CEO Asia, Standard Chartered.*

The opinions expressed on this page do not necessarily reflect those of China Daily US Edition.





ZHENG JINQIANG / FOR CHINA DAILY

A housing project under construction in Luan, Anhui province. Home prices continue to rise in China's major cities but at a slower pace, according to the National Bureau of Statistics.

## House price rises cool down in mainland's 70 major cities

By WANG YING in Shanghai  
wang\_ying@chinadaily.com.cn

Although new home prices rose year-on-year in 69 of the mainland's 70 major cities in May, analysts said adherence to property curbs will eventually stabilize housing prices.

The National Bureau of Statistics said on Tuesday that of the 70 major cities it tracks, only Wenzhou in Zhejiang province experienced a drop in new-home prices in May.

Guangzhou, Shenzhen and Beijing led the price surge in new residential properties, up around 15 percent.

On a monthly basis, 65 cities' new-home prices increased in May, three other cities saw declines and the other two were unchanged.

Liu Jianwei, a senior statistician with the bureau, said the figures show home price rises continued slowing in May because fewer cities saw price rises compared with April.

Another distinct change is that the month-on-month growth in home prices is narrowing, according to Liu. In 34 cities, new-home prices increased by a smaller percentage point compared with April. For pre-owned houses, 30 of the 70 cities' growth rates declined.

Liu said that continued property curbs meant the month-on-month increase rate in home prices was going down. He said there should be no relaxation of policy implementation.

"The days of over-supply are gone, and at present, the total available residential properties in Beijing can be taken up within seven months. For Shanghai, it's nine months," said Chen Yanbin, research director of the China Index Research Institute's Shanghai branch.

Chen Sheng, deputy president of the China Real Estate Data Academy, said all the government should do is maintain policy stability.

"As long as the home price increase is in line with the growth of the nation's economy, there is no reason to worry about severe property inflation," he said.

Chen said first-tier cities are seeing faster-than-expected home price rises. Major second- and third-tier cities have excess supply, and their chief task is to reduce inventories.

Lu Qilin, research director at Shanghai Deovolente Realty Co, also expects slower growth in home prices in the coming months due to the stabilized policy and economy.

"Policy implementation is necessary and it is the key," he added.

## Bespoke carmaker opens showroom

By YAO JING  
yaojing@chinadaily.com.cn

Morgan Motor Co, one of the oldest British hand-built car manufacturers, opened its first showroom in China on Tuesday, part of a drive to bring more British vehicles overseas.

The 320-square-meter showroom, which is also the Morgan flagship store, is located in Workers' Stadium in Beijing. A number of models, including the first Plus 8 ever sold in China, a Roadster and the only 75th Anniversary edition of the 4/4 in China, are on display.

"The Morgan cars in the Beijing showroom are the first models imported to China under a commercial license, which means that they can be bought by Chinese customers," said Jim James, managing director of Morgan Cars (Beijing).

Within walking distance of the showrooms of Bentley and Lotus, the Morgan showroom positions it alongside popular British automotive brands.

"We have been competing with Lotus, Rolls-Royce and other brand names that stepped into the market ahead of us. However, Chinese driving enthusiasts are becoming more sophisticated, and we can catch up with handmade, vintage-style authentic British



ZOU HONG / CHINA DAILY

Wu Duming (in the driver's seat) buys a Morgan Plus 8 on display at Morgan Motor Co's Beijing showroom on Tuesday. Sitting next to him is Sebastian Wood, British ambassador.

cars," said James.

The performance of British cars in overseas markets has witnessed a steady increase in recent years. In the first quarter of 2012, the United Kingdom sold more cars abroad than it imported for the first time in 36 years, according to the Daily Telegraph newspaper.

With a growing number of well-heeled customers and the potential to be the world's largest luxury car market, China is becoming an increasingly significant market for UK vehicle makers.

Exports of UK-built cars and commercial vehicles totaled 1.275 million units in 2012, and 8.1 percent of such

cars and commercial vehicles were exported to China, compared with 1.4 percent in 2008, according to Motor Industry Facts 2013 released by the Society of Motor Manufacturers and Traders, the trade association for the UK motor industry.

"From road cars to F1, the UK is home to more than 40 companies manufacturing vehicles. I'm delighted that Morgan's heritage and iconic designs are appreciated by an increasing number of Chinese customers," said Sebastian Wood, the British ambassador to China.

Morgan officially launched sales in China in June 2012.

Since then, China has become part of the 104-year-old automaker's five-year plan, targeting 500 to 700 car sales globally every year.

"We sold 12 cars in China in the first year, and now we hope to build up to about 50 next year," James said.

Morgan makes all its cars to order, and it produced about 1,200 traditional cars and other vehicles in 2012. It regards its expansion in China as an investment in the long-term future.

In China, Morgan needs to capture drivers like Wu Duming, a 43-year-old founder of a menswear brand based in Hunan province. Wu became the first Chinese owner of the Morgan Plus 8, which is priced at 2.8 million yuan (\$457,000).

"I ran into a Morgan car when I went to Britain in 2004 and was attracted by the look of the car first. I like the brand's reputation and the vintage design," Wu said.

"Besides finding consumers who appreciate the look and the feel of our cars, we have to make all the cars comply with local regulations, such as customs and related business certification," James said.

The showroom was been commissioned by Malvern Morgan Cars (Beijing) Co Ltd, an authorized agent of the UK Morgan Motor Co.

## Shadow banking threatens credit crisis

By GAO CHANGXIN  
in Hong Kong  
gaochangxin@chinadaily.com.cn

Fitch Ratings warned on Tuesday that the growing shadow banking sector in China, if not dealt with properly, could puncture the country's credit bubble and spark a financial crisis.

### BANKING

In a speech in Hong Kong, Charlene Chu, senior director of financial institutions at the global ratings agency, said that at the end of 2012 Chinese lenders were involved, directly or indirectly in three-quarters of the 11.7 trillion yuan (\$1.91 trillion) of outstanding credit "in the shadows" or extended by non-bank financial institutions.

Little light is shed on the quality of those issuers or borrowers in the shadow credit sector, which accounts for a third of the country total 34 trillion yuan of non-loan credit. But any stress put on its non-bank financial institutions, including micro-loan organizations and pawn shops, will gradually work its way into its banking system, and put pressure on balance sheets, Chu said.

"It seems there is no connection between non-bank financial institutions and the main lenders. But in fact, there is," said Chu.

One example of the potential effects was last year's high-profile case of China Credit Trust Co, a leading trust company in China.

A new trust planned by the company, for which money was raised, was never started and the funds were used to repay other debts.

China Credit Trust argued that Industrial and Commercial Bank of China, which introduced investors to the trust company, should be liable for some of its losses, underlining lenders' indirect exposure to non-bank credit.

Chinese lenders currently appear to be in good shape, with non-performing loans at a benign rate of just 1 percent.

But experts point out that this does not paint the real picture, as 36 percent of all outstanding credit exists outside of the lenders' loan portfolios.

China's credit levels have been growing rapidly since 2008, when the government flooded the market with liquidity to kick-start its crisis-hit economy.

China's credit-to-GDP ratio has jumped by 75 points to 200 percent in the five years ending 2012.

In the US, the ratio grew 40 points over the five years leading up to the bursting of the subprime mortgage-lending bubble.

Making things potentially worse in China is the fact that

its economy has grown almost immune to credit stimulus.

In January, when total social financing jumped by 160 percent year-on-year, fixed asset investment grew just 21.2 percent, then slowed further to 20.9 percent in March.

Jing Ulrich, chairman of global markets for China at JPMorgan Chase & Co, said she thinks that China can no longer depend on credit to stimulate growth.

In April, Fitch downgraded China's sovereign credit rating for the first time since 1999, cutting its long-term local currency rating to A+ from AA-, citing a number of "underlying structural weaknesses" as a result of rapid credit expansion.

China's first quarter GDP growth slowed to 7.7 percent year-on-year, from 7.9 percent in the last quarter of 2012, lower than market expectations of around 8 percent, but Chu said a financial crisis "is not inevitable" as the country still has the financial firepower to halt the downward spiral.

One of the strongest positive factors is that the vast majority of the borrowers and lenders are State-owned, meaning there is more flexibility and tolerance to debt repayment and servicing.

China's closed capital account also prevents money from being taken out of the domestic financial system.

## DHL setting its sights on China's western regions

By HE WEI in Shanghai  
hewei@chinadaily.com.cn

Deutsche Post DHL, one of the first foreign courier companies to enter China, will tailor its services for the country's booming western regions, a top company executive said on Tuesday.

A growing number of enterprises are relocating to these regions to better manage costs and increase efficiency.

The company, with headquarters in Bonn, Germany, will provide a range of solutions, including new warehouse management systems, to help manufacturers rein in logistics spending following the huge urbanization drive in China's inland areas, according to William Meahl, DHL's chief commercial officer.

"West China is where people move their operations for lower labor and property costs. But if logistics doesn't move along with manufacturing, you cannot move up the value chain," Meahl told China Daily on the sidelines of DHL's annual global technology conference in Shanghai.

The company will strengthen its ability to connect clients in western China to the rest of the world, and by using an intensified air and rail network will consolidate various business services to be delivered to Asia.

Asia accounted for 20 percent of DHL's global sales last year, with China claiming half of this share. Meahl said he expects the Asian percentage to rise to one-third in the next five years, with China continuing to take the lead.

He identified the high-tech sector — driven by constant innovation, short product cycles and new sales channels — as one of the key growth

areas of DHL's China business portfolio.

The changing nature of technology will amplify the role of logistics in having a competitive edge, Meahl said, citing examples of the emergence of mobile devices ahead of personal computers as the preferred access tool for the Internet.

DHL estimates that 60 percent of all IT hardware growth will come from tablets and smartphones this year.

"From a logistics point of view, the prevalence of mobile devices translates into shrinking size of goods, meaning that each shipment has to handle many more units of goods than before," Meahl said.

With China heavily involved in the IT manufacturing industry, DHL has developed a range of solutions to help address such challenges, including direct distribution services like Door-to-More and Break Bulk Express, and options to reinforce high-quality customer service offerings, such as Technical Service.

A trend toward simplified and lighter products, combined with price pressure, is challenging manufacturers and suppliers to find solutions to improve the cost efficiency of the technology supply chain. This has led to an increase in the use of shared logistics platforms such as multi-user warehouses.

Up to 20 percent of DHL's annual spending goes to developing IT solutions.

Meahl also said he believes China's e-commerce boom will fuel further momentum for the company.

Speaking of the recent decision by Alibaba Group Holding Ltd to set up a national logistics network, he said it means more of a partnership, rather than



**West China is where people move their operations for lower labor and property costs. But if logistics doesn't move along with manufacturing, you cannot move up the value chain."**

WILLIAM MEAHL  
CHIEF COMMERCIAL OFFICER OF  
DEUTSCHE POST DHL

competition, for DHL.

Tan Piak Hwee, DHL's vice-president of marketing and sales in China, said: "It's only natural for online marketplaces like Alibaba to think about how they facilitate solutions for products that are being sold and bought. DHL can leverage on its worldwide coverage to serve online sites with last-mile delivery and international transportation needs."

Meahl has seen a growing number of Chinese businesses emerge among DHL's global top 100 clients, which used to be dominated by US and European conglomerates. He said a variety of Chinese companies, from State-owned enterprises to privately run firms, are eyeing international opportunities, and DHL is poised to become their partner in these global pursuits.

Since 2013, the company has strengthened its Asia-Pacific aviation network with more wide-bodied aircraft, connecting major markets in Asia and providing additional direct links with the Americas.

It invested \$175 million last year in Shanghai to launch its biggest express hub in Asia.



# US-EU talks mean challenges, chances

By **ZHANG CHUNYAN** in London  
zhangchunyan@chinadaily.com.cn

As the United States and the European Union prepare to begin talks in July on a free-trade deal, European experts noted that this would present China with challenges and opportunities.

US President Barack Obama, standing alongside EU leaders and British Prime Minister David Cameron, on Monday hailed the proposed trade agreement as a "potentially groundbreaking partnership" that would deepen ties between two areas that account for around 45 percent of the global economy.

The aim is to reach a comprehensive deal that would remove all tariffs and develop uniform rules and standards on a wide range of goods and services that would bolster trade, investment and jobs.

The first round of talks will be held in Washington during the week of July 8.

Some experts have expressed concern that the transatlantic trade agreement would influence China's trade relations with the EU and US as the agreement may mean a greater concentration of trade and investment between the US and Europe.

**This agreement will certainly increase the amount of world trade, and China will benefit from that.**

LOUIS TURNER  
EXPERT IN ASIAN TRADE AND INVESTMENT AT THE LONDON-BASED CHATHAM HOUSE

If a deal can be reached, it would create a free trade zone between the US and the 27 member states of the European Union.

China and the EU are each other's largest trading partners, and China and the US are each other's second-largest trading partners.

Some observers noted that the impact on China will not be in the short term. New trade rules and standards set by the EU and the US could be forced upon China and other countries in the future.

But Louis Turner, an expert in Asian trade and investment at the London-based Chatham House, said: "I think the free trade agreement will increase the potential for Chinese export markets, because American and European growth should be improved."

"This agreement will certainly increase the amount of world trade, and China will benefit from that," Turner added.

He noted that it's possible to strengthen the competitiveness of US and European companies, but Chinese companies are strong enough to stand up and face this competition.

EU Trade Spokesman John Clancy said: "I do not see trade as a zero-sum game: more trade with one country does not automatically mean less trade with another. Indeed, the benefits for the EU and the US coming from a transatlantic agreement would not be at the expense of the rest of the world."

Constance Picking, senior adviser of the US Chamber of Commerce Europe Office, said: "The trading relationship between the EU and China is very different from the EU-US relationship."

"Most likely the trading relationship will not be influenced, particularly if China keeps its market open and looks favorably to the standards, norms and rules, which will be developed for the transatlantic market."

Analysts said the latest announcement was a victory for Cameron, who as host of this year's G8 summit made the launch of the talks a top priority.

Cameron and other European leaders are keen to energize a continent struggling with the eurozone debt crisis and longstanding structural economic problems.

But the trade agreement could take two years to hammer out. The US and Europe have very different standards, for example, in certifying the safety of autos, and even car bumpers.

European Council President Herman Van Rompuy also admitted there would be sensitivities on both sides, but the decision to hold the talks showed their political will to work together on growth, jobs and prosperity.

## what's news

### IPO approvals likely to resume next month

China is likely to resume approving initial public offerings on the mainland market at the end of July, sources told Reuters on Tuesday. Yao Gang, vice-chairman of the China Securities Regulatory Commission, told brokerages at a meeting on Tuesday "it is almost certain" the IPO market will resume at the end of next month, the sources, who were present at the meeting, said. They declined to be identified because they are not authorized to speak to the media. China froze the IPO market in late October as part of its efforts to clean up the equity market. It has been inspecting applicants' books for evidence of fraud.

### Carbon dioxide permits trade 22% cheaper than in Europe

China traded its first carbon dioxide permits for 22 percent less than Tuesday's price in Europe as the nation inaugurated the Shenzhen Emissions Exchange as part of its plan to limit heat-trapping gases linked to climate change. The permits were priced from 28 yuan (\$4.55) to 30 yuan a metric ton, according to Chen Haiou, chief executive officer and president of the exchange. That compares with 4.71 euros (\$6.30) a ton on Tuesday for European Union permits on London's ICE Futures Europe exchange, the world's biggest carbon market by traded volume.

### Coal imports fall in May, as policy worries continue

China's coal imports, including lignite, fell 3.9 percent in May from April as worries over import policies, high overseas prices and weak local demand curbed sales, data from the China Coal Transport and Distribution Association showed. China is the world's top coal consumer and traders said weak domestic demand and uncertainty over whether Beijing might limit imports of low-quality thermal coal to aid struggling domestic coal miners, led buyers to adopt the wary attitude. Limiting imports would largely hit Indonesian miners, whose sales to China have jumped after import taxes on lignite were removed in 2012.

### Yuan declines by most in a fortnight on Fed taper fears

The yuan fell the most in almost two weeks as the People's Bank of China halted five days of strengthening the currency's fixing amid speculation the Federal Reserve will taper its bond-buying program. The central bank set the yuan's reference rate 0.09 percent weaker



## WOODEN WONDER

PHOTO BY CAO BOYUAN / FOR CHINA DAILY

A wooden Chinese style caravan grabs attention at the "All in Tuning All in Caravanning" Show China 2013 at the China National Convention Center in Beijing. More than 100 modified cars and caravans from more than 160 exhibitors were on display at the three-day exhibition, which closed on Monday.

at 6.16510 per dollar, lowering it by the most since May 13. The Bloomberg JPMorgan Asian Dollar Index dropped for a second day before the Fed starts a two-day meeting. Currency strategists including those from Barclays PLC and Deutsche Bank AG have been advising investors to sell the yuan.

### Steel prices drop despite decreasing global output

China steel prices have dropped in spite of decreasing global output and easing oversupply, according to an article on the website of the China Iron & Steel Association on Monday. The prices will fluctuate but largely remain low in the foreseeable future, the article said. Starting from the second quarter, overall demand has been rising while demand from industries with high steel consumption was lower than expected,

the article said. At the end of May, the price of eight steel products monitored by CISA continued to drop.

### Infor to increase workforce, develop in smaller cities

US software company Infor said it plans to double China revenue over the next three years. The company will increase its workforce in the country and develop business in smaller cities, said Tim Molyan, Asia-Pacific president of Infor. "China will generate about one-third of the company's revenue in the region in three years' time," he said, adding that it's easier for the New York-based company to get 25 percent year-on-year growth in China than in developed markets such as Australia and Japan. Founded in 2002, Infor has annual revenue exceeding \$2.8 billion.

### A-share sales in May hit four-year monthly high

Major shareholders with stakes of more than 5 percent, sold a net 24.7 billion yuan worth (\$4 billion) of Chinese A shares in May, the most for a month since June 2009, according to UBS AG in a market note. The biggest sales were in computer-related shares, media and special equipment sectors, UBS said. Net stakes rose only in chemical raw materials and telecom operations, while the sell-off in smaller companies as a percentage of the free-float reached new post-2008 highs, it added. Insiders sold as the Shanghai Composite Index climbed 5.6 percent in May, the biggest advance since December, as more locked-up shares became tradable.

CHINA DAILY — AGENCIES

# Scholar urges Hong Kong to address 'cultural gap'

By **GAO CHANGXIN** in HONG KONG  
gaochangxin@chinadaily.com.cn

A top Hong Kong scholar has called on the special administrative region to bridge cultural and social differences with the mainland, in a bid to boost its waning competitiveness.

In a report published on Tuesday, Gui Qiangfang, president of the China Institute of City Competitiveness, said Hong Kong's comprehensive competitiveness, including social, environmental and cultural strength, has declined in recent years.

One of the major reasons for this decline is Hong Kong's cultural gap with the mainland,

which resulted in the city not fully making use of preferential policies from the central government.

"Hong Kong is trailing further and further behind the world's top cities including New York, Tokyo and London, and has been overtaken to some extent by more and more mainland cities," said Gui.

The cultural gap is one of the 10 reasons Gui listed for Hong Kong's waning competitive edge, which also include an absence of strategic planning, a lack of innovation, and growing competition from big mainland cities such as Shanghai and Shenzhen.

But still, Hong Kong remains the most competitive city in China, benefiting from its sound legal framework and open mar-

ket, according to the institute.

Gui's comments come as some Hong Kong residents appear to have developed a distaste for mainland tourists.

In a high-profile incident last year, a mobile phone video of a shouting match between mainlanders and locals aboard the subway in Hong Kong went viral on the Internet.

A brawl ensued after a local woman told off a mainland child traveling in Hong Kong with her mother for eating dried noodles on the train, where eating is prohibited.

Another issue is cross-border childbirths, in which mainland women fly to Hong Kong to give birth, meaning that their children can gain their Hong Kong permanent residency.

Hong Kong government statistics show the number of newborns of mainland women not married to Hong Kong permanent residents skyrocketed from less than 1,000 in 2000 to more than 35,000 in 2011.

Gui urged Hong Kong to strengthen communications with Beijing to avoid conflicts, boost mutual trust and deal with difference in a timely manner.

"The root of Hong Kong's development lies in the fact that it has the mainland, the world's second-biggest economy, as its hinterland," said Gui.

"Hong Kong shouldn't let those cultural and social differences stand in the way of cooperating with the mainland, which would create a win-win situation."

# Sino-EU trade talks aim to defuse solar tensions

## A British researcher says China is the most frequently harmed country by foreign protectionism

By **FU JING** in Brussels  
and **LYU CHANG** in Beijing

Beijing and Brussels are racing to avert an escalation of trade disputes originating from the European Commission's anti-dumping penalty on China's solar panel exports.

Shen Danyang, spokesman for the Ministry of Commerce, said the two sides have "tentatively agreed" to hold an annual meeting of the joint economic and trade commis-

### TRADE

sion this Friday in Beijing. He said the meeting, to be co-chaired by Minister of Commerce Gao Hucheng and EU Trade Commissioner Karel De Gucht, will review the development of bilateral economic and trade relations during the past year, including the dispute over solar panels and other business issues.

"We believe that the two sides will value this opportunity, look at the big picture of bilateral cooperation and reach an agreement that both sides can accept through consultations," Shen told reporters on Tuesday.

Sources in Brussels said the two sides are comparing notes to "fix dates" for more high-

level dialogue that could get bilateral relations back on track.

EU Trade Spokesman John Clancy confirmed that confidential technical-level discussions began with a team of Chinese experts in Brussels at the start of the week, a bid to find a negotiated settlement.

It is expected that De Gucht and Gao will discuss this issue on the sidelines of the joint commission. He said both sides have agreed on the commission's agenda.

"It is important to underline that the EU's ambition remains to find an amicable solution as soon as possible, but I should also stress that discussions have only just begun and therefore we are still at a very early stage in the negotiation process," said Clancy.

The Friday meeting was scheduled although Chinese negotiators returned to Brussels for closed-door negotiations this week, trying to find a price compromise for China's solar exports, which the European Commission has characterized as dumping in the European market.

"During De Gucht's visit, I think both sides will consult on solutions to the solar panel

dispute as well," said the source, who declined to be identified.

The source said Brussels may also discuss with Beijing on when to kick off a long-discussed bilateral investment agreement.

De Gucht's visit to Beijing may help find common ground for European leaders at the EU summit next week in Brussels regarding trade relations with China.

Separately, the source revealed that State Councilor Yang Jiechi is expected to hold high-level political dialogue with his European counterpart, Catherine Ashton, in Brussels either in the latter half of July or in September.

"Both sides are still fixing dates and these meetings will pave the way for the Sino-EU summit in November and be helpful in solving the solar panel dispute," said the source, who is from the Chinese side.

Beijing has repeatedly urged Brussels to refrain from using protectionist measures and trade defense instruments, which could lead to a no-win situation.

Simon Evenett, director of the London-based Center for Economic Policy Research, indicated in a recent report that protectionism has returned, especially since the final quarter of 2012.

Based on his research, China has become the most frequently harmed country and its commercial interests have been hit by

foreign protectionism just under 1,000 times since November 2008. The EU has become a frequent user of trade defense measures, the research found.

If things continue to go in the current direction, Christopher Lewis, senior Fellow of the Schiller Institute in Germany, said the economic relationship between China and the EU will become very difficult.

Saying the solar panel dispute is one of the most significant since the disputes over footwear and textiles, where European factories have generally lost their competitive edge, Duncan Freeman of the Brussels Institute of Contemporary China Studies insists that these disputes are not fundamental to the flows of trade, which are determined by economic conditions and other factors in the EU and China.

"Broadly speaking, the prospects for growth in the EU are weak, and this will continue to have a negative impact on Chinese exports," Freeman said. "And there is little prospect that this will change in the near term."

Freeman said China's economic growth is also slowing and this will limit EU exports to China.

Contact the writers at fujing@chinadaily.com.cn and lvchang@chinadaily.com.cn.



# Mengniu offers to buy Yashili

Largest single domestic deal for baby formula maker valued at \$1.6b

By WANG ZHUOQIONG  
wangzhuoqiong@chinadaily.com.cn

China Mengniu Dairy Co, the country's largest dairy producer, has offered to acquire a domestic baby formula maker in a deal valued at about \$1.6 billion, to boost its presence in the highly profitable sector of the dairy industry. The acquisition, which would be the largest single deal in the domestic dairy industry, is expected to lead to further integration in China's milk powder business.

Mengniu is buying a 75 percent stake in Yashili International Holdings Ltd from chairman Zhang Lidian's family and Carlyle Group. It will also offer to buy the rest of the company, giving shareholders the option to sell at HK\$3.50 (45 US cents) a share in cash, or about 5 percent more than Yashili's last trading price.

The move will help the Inner Mongolian producer catch up with domestic rivals in the baby milk formula market, which is estimated to be worth more than 50 billion yuan (\$8.15 billion), according to Song Liang, a dairy industry analyst at the Distribution Productivity Promotion Center of China Commerce.

Last year, Mengniu's milk formula sales were worth no more than 300 million yuan, only contributing 1.6 percent

of its revenue. Yashili, ranked eighth in China's milk formula market, had a growth rate of 35.8 percent last year.

The acquisition would pave the way for integration in the milk formula sector as demand for baby food rises and the government pushes for safer products.

The domestic baby milk formula market has been severely weakened since a milk powder scandal in 2008 and is losing its majority market share in high-

end products to foreign rivals.

The acquisition move also indicates the government's efforts to encourage integration in the dairy industry, especially in the milk formula sector, said Jian Aihua, a researcher with CIC Consulting, a leading industry research institution.

Industry insiders predict the 127 baby milk formula producers in China will be halved, making it hard for those with a smaller production capacity to survive.

The Ministry of Industry and Information Technology said on Tuesday that integration of the milk powder industry is expected to involve 10

large companies with revenues exceeding 2 billion yuan in two years, accounting for 70 percent of the industry.

The State Council said this month China will take measures to ensure the safety of baby milk products and will draft policies to support mergers and acquisitions among formula producers.

The acquisition would be Mengniu's third this year. French food giant Groupe Danone SA has invested in two joint projects with Mengniu, a move that will help improve Danone's sliding market share in China and restore consumers' confidence in the country's

dairy market. Danone will invest about 325 million euros (\$417.17 million) in the projects.

Through the deals, Mengniu will probably achieve breakthroughs in the high-end yogurt sector, allowing it to rival domestic competitors.

Two months ago, to secure the quality and safety of its milk supply, Mengniu announced plans to pay HK\$3.18 billion, or HK\$2.45 per share, to take a controlling stake, or 26.9 percent stake, in the country's largest raw milk producer China Modern Dairy Holding Ltd, which owns 22 dairy farms nationwide.



Yashili milk formula products at an expo in Beijing in July. Yashili was ranked eighth in China's milk formula market and had a growth rate of 35.8 percent last year.

## Cisco denies China monitoring accusations

By SHEN JINGTING

Cisco Systems Inc, the giant network equipment supplier, has denied accusations of conducting illegal monitoring activities in China, as well as participating in the US surveillance program that whistleblower Edward Snowden has revealed.

In a statement sent to China Daily on Tuesday, Cisco said, "PRISM is not a Cisco program and Cisco networks did not participate in the program."

Further, Cisco does not monitor communications of private citizens or government organizations in China or anywhere in the world, the statement added.

PRISM is a clandestine Internet surveillance program operated by the US National Security Agency.

Cisco's response came as the Chinese media questioned whether the company represented a threat to China's national security.

Snowden, a former NSA contractor, revealed in an interview with the South China Morning Post that he believes there has been more than 61,000 NSA hacking operations globally, including hundreds in Hong Kong and on the Chinese mainland.

Since Cisco has played an active role in building major network projects in China, covering fields such as gov-

ernments, army, finance and railways, Chinese media have expressed concern that the US-headquartered company could be used as a US government tool to steal critical information from China.

After entering the Chinese market in 1994, Cisco's business has grown fast, and it now employs more than 3,400 staff nationwide, according to its website.

John Chambers, Cisco's chairman and chief executive officer, has highlighted the Chinese market as one of its three main growth engines, along with India and its home market.

Using two networks operated by China Telecom Corp Ltd and China Unicom (Hong Kong)

Ltd, which shoulder more than 80 percent of China's Internet traffic, Cisco is said to have built a 70 percent share of the country's leading network projects, a Securities Times report said.

A Beijing-based industry insider, who asked to be anonymous, said, "There is a terrible security threat in China from US-based technology companies including Cisco, Apple and Microsoft."

When China first installed its networks, users had no choice but to buy Cisco's equipment since domestic companies did not own certain technologies, he added.

"Cisco was to the networking industry what Boeing or Airbus were to aircraft manufacturing.

The situation only gradually changed as Chinese players like Huawei Technologies Co Ltd and ZTE Corp grew in recent years," he said.

Xu Qi, a Beijing telecom industry expert, said the Chinese authorities should conduct investigations into Cisco's work in China.

"Based on sound evidence, market restrictions should be adopted, if it truly represents a threat," he said.

Chinese telecom equipment giants Huawei and ZTE have been banned from selling their products to major US carriers after being accused of posing a potential threat to US national security. Both have denied the allegations.

## Big picture looking better for Poly Film

By HUANG YING

huangying@chinadaily.com.cn

Poly Film Investment Co Ltd, a wholly owned subsidiary of State-owned Poly Culture Group Corp Ltd, formally introduced its internally developed Imax projection system, known as PolyMax, on Tuesday at the 16th Shanghai International Film Festival.

Poly hopes the system will challenge industry giant IMAX Corp.

About 10 theaters owned by Poly have been equipped with PolyMax screens. The theaters are in various cities, including Beijing and Shenzhen, according to Liu Jianfeng, director of public affairs at Poly Film Investment Co Ltd.

Yao Zongchao, general manager of product research and development at Poly, said: "We have achieved a large amount of innovation in technology, and these advances were made on the basis of our years of experience in theater construction and our advantages."

"For example, the ultra-

short, high-definition focal lens we developed allows the requirements for the construction of theaters to be eased," Yao said.

"This means that we can screen a high-definition movie in a comparatively narrow space," he added.

Before the introduction of the PolyMax system, the company spent 14 months carrying out technological improvements from the previous version.

For IMAX Corp, China remains a fast-growing component of its global business.

It completed the installation of its 100th screen in China last year, a point that it took about 10 years to reach. Most of its growth came after the screening of the blockbuster *Avatar* in 2010.

The number of IMAX screens in China stood at only 18 in 2008. However, the burgeoning film market and the increasing demand for Imax movies in China have driven other Chinese companies to enter the giant-screen market.

For example, in 2011, China Film Co Ltd and the China Research Institute of Film Sci-

ence & Technology introduced the China Giant Screen, a Chinese version of the Imax screen, after a three-year period of research and development.

According to the Global Entertainment and Media Outlook 2013-17 released by consultants PricewaterhouseCoopers, China's spending on the movie and entertainment market will grow from \$3.26 billion in 2012 to \$6.49 billion in 2017.

Box office revenues are expected to reach \$5.5 billion in 2017.

National ticket sales reached 17.07 billion yuan (\$2.8 billion) last year, up 30.2 percent year-on-year, according to official statistics.

IMAX Corp's global revenue reached \$284 million in 2012, up 20 percent year-on-year.

In the first quarter of this year, China contributed \$11 million of the \$50 million in the company's revenue worldwide, up 58 percent. That was the fastest growth rate in the world, according to the company's financial reports.

China's share of IMAX Corp's global revenue rose from 4 percent in 2008 to 16

percent in 2012.

Speaking of the advantages of PolyMax over IMAX, Ge Lanlan, general manager of the operating technology department at Poly, said the cost of PolyMax is about half that of the IMAX.

An IMAX system costs more than 10 million yuan just

for the equipment, excluding maintenance.

Liu said she hoped PolyMax can enter more theaters, not just Poly's own cineplexes.

Poly Film Investment Co has 68 theaters nationwide, and plans to invest in 23 theater construction projects this year.

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An advertisement for Jingdong's 10th anniversary sale. The discounts have triggered an industry-wide price war with rivals undercutting each other, hoping to grab market share.

## Price war between e-commerce firms flares up again

By SHEN JINGTING

shenjingtong@chinadaily.com.cn

A price war has been reignited among Chinese e-commerce websites, despite government officials accusing them of "fooling consumers with promotional activities" just nine months ago.

JD.com, also known as Jingdong, offered heavy discounts on millions of products, including some best sellers, to celebrate its 10th anniversary on Tuesday.

In an e-mail reply to China Daily, the business-to-customer e-commerce website said it offered "the most favorable discounts in a decade" on some goods.

Though the promotion started on June 1, it offered the deepest discounts for a three-day period starting on Monday.

Jingdong's sales more than doubled in the first 15 days of June, according to the company. The website sold 40 million yuan (\$6.5 million) of electronic products in the first seven minutes of Tuesday.

In addition to Jingdong, other e-commerce platforms such as Tmall.com of Alibaba Group Holding Ltd, 51buy.com of Tencent Holdings Ltd and Suning.com have joined the battle.

Wang Yulei, vice-president of Tmall.com, said Tmall would offer discounts totaling 200 million yuan in June. Summer is traditionally the peak season for consumer electronics, he said.

51buy.com, a business-to-customer branch of Tencent, challenged Jingdong directly by offering products "at least no more expensive than JD.com".

The Tencent subsidiary asked clients to inform it when they found certain goods costing more than on 51buy during the three-day period starting on Monday. If they do, they receive reward points.

51buy launched its three-day half-price sale on Monday.

Song Yang, from Tencent's e-commerce department, denied the company was mimicking Jingdong's marketing campaign.

"We planned this promotion at the start of the year. June is usually the start of the online shopping season every year, so it is natural for industry players to act at the same time," he said.

The National Development and Reform Commission, China's top economic planning agency, punished three major Chinese e-retailers in last September for "cheating online shoppers in self-labeled price wars".

However, after several tranquil months, the price battle broke out again, this time with even more participants.

"It is because price and sales wars are still the most effective way for e-commerce websites to win customers' attention," said Lyu Bowang, chief analyst at Beijing-based Zhengwang Consultancy.

"Meanwhile, as Chinese economic growth slows down, inventories piled up in manufacturers' warehouses, which resulted in demand for relief from producers," Lyu added. E-commerce platforms are effective channels for them to ease this pressure, he said.

Regina Leung, vice-president of the marketing division of marketing services company Epsilon International, said e-commerce retailers are using heavy discounts to practically buy market share.

Retailers use discounts because they have a short-term impact, she said.

However, "retailers who rely on discounts to drive traffic and revenue will soon shoot themselves in the foot when they are perceived by consumers merely as discounters. Their slim profit margin will also eventually disappear," she added.

Zhang Jindong, chairman of Suning Appliance Co Ltd, China's largest electric appliance retailer, said in an April interview that the price war would continue.

"There is a bubble in the e-commerce industry, so the price war will carry on," he said.

Jingdong said in a statement: "We welcome competition. Only with more players participating can China's e-commerce industry realize rapid development."

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# Cash crunch puts squeeze on securities

Bond offerings cut as banks blame fluctuation in market liquidity

By WANG XIAOTIAN  
wangxiaotian@chinadaily.com.cn

Slowed capital inflows have added to the worst cash crunch in China for at least seven years, which is hampering securities trading, experts said on Tuesday.

The Agricultural Development Bank of China, a major policy bank, cut the size of two bond offerings on Tuesday by 31 percent, by selling 8 billion yuan (\$1.3 billion) of three-year notes, down from its previous target of 13 billion yuan.

It also reduced an issue of five-year debt to 10 billion yuan from 13 billion yuan, blaming recent fluctuations in bond market liquidity as the main reason.

On Friday, the Ministry of Finance sold 9.53 billion yuan of 273-day bills, less than the target of 15 billion yuan, the first time that sales of treasury debts had missed the issuance target in the past 23 months.

Institutional demand for securities has declined as the seven-day repurchase rate, a

**9.53**  
billion yuan

the amount in 273-day bills sold by the Ministry of Finance

measure of interbank liquidity, averaged 6.03 percent in June, the most since the National Interbank Funding Center began compiling a weighted average in 2006, according to data compiled by Bloomberg.

Wang Tao, head of China economic research at UBS Securities, said those and other recent moves reflected how the central government has increased its tolerance of an economic slowdown and attached more attention to containing financial risk.

Wang said a substantial decrease in foreign exchange inflows in May was a major factor contributing to the surge in inter-bank interest rates.

According to data released by the central bank last Friday, yuan positions among commercial banks involved in foreign exchange purchases, an indicator of capital inflows,

rose 66.86 billion yuan in May, the smallest increase since November.

The figure has dropped from April's increase of 300 billion yuan, and 400 billion yuan on average during the first quarter of the year.

Wang said she estimated non-direct investment capital inflows in May had dropped to \$9 billion from \$40 to 50 billion between March and April, after China's foreign exchange watchdog tightened regulation of cross-border capital flows last month.

"The banks' underestimation of capital demand in June has also led to less liquidity and dramatic interest rate hikes, as they extended more loans in early June," Wang said, adding they also misunderstood the central bank's intentions.

Guo Tianyong, a professor at the Central University of Finance and Economics, said that as China's economic data had disappointed analysts, and the inflation rate remained at a relatively low level, the market had been expecting the authorities to further loosen its monetary stance, for instance, by cutting interest rates.

China International Capital Corp Ltd said in a note that the US was expected to cut the scale of quantitative easing



PROVIDED TO CHINA DAILY

The People's Bank of China suspended the issuance of central bank bills and repurchase operations last week to soothe liquidity tensions.

in the second half, and even halt bond purchases next year, leading to less short-term capital flows into China, or even capital outflows, "which might trigger a reverse of domestic liquidity situation".

Major commercial lenders are pressuring the central bank to free up funds to ease the

unusual cash squeeze, such as cutting reserve requirements for banks, the Wall Street Journal reported on Tuesday, citing anonymous sources.

Last Thursday the People's Bank of China suspended the issuance of central bank bills and repurchase operations, to soothe liquidity tensions.

"We believe that in the next few days or weeks the central bank will gradually improve liquidity supply — but it won't cut interest rates or reserve requirement ratio among banks," Wang added.

She said the monetary authority has made it clear it would rather allow a further

hike in inter-bank interest rates than see further over-expansion in credit.

Guillermo Mondino, an analyst at Citigroup Global Markets Inc, said that any shift of policy, from an easing bias to a neutral position, was likely to be gradual amid weak recovery and benign inflation.

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