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Rented Dreams: Schools Access the Key to House Bubble

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Misspent Youth: Subculture of Sadness Unites Millennials

POLITICS
Whistle-Stop Growth: Cities Fight Over High-Speed Train Stations

For how long can the yuan be controlled?
FROM HERE TO THE GLOBE
It is time for local governments to stop cashing in on distortions in China’s real estate market

In recent months, Chinese real estate policy has witnessed a major shift away from home ownership toward encouraging renters. The central government has instructed 12 cities to implement pilot programmes aimed at boosting the rental market, and some cities have launched their own initiatives. Beijing and Shanghai, for example, pledged to build 500,000 and 700,000 “rent-only” houses in the next five years. Other cities announced they would grant renters the same access to public services as homeowners.

More recently, on August 28, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development jointly launched a new pilot programme to allow suburban and rural villages around 13 cities, including Beijing and Shanghai, to directly develop real estate projects for the rental market. This could be a real game changer if implemented well.

China’s current laws classify land as either urban or rural, and both have their own legal status. While urban land belongs to the State, which means one cannot “own” but can only “lease” a block of urban land (typically for 70 years), rural land is collectively owned by the inhabitants of each village.

It is prohibited for rural land to be put into urban use. So as China’s cities expand, local governments first appropriate rural land—usually from village councils instead of individual villagers—and then transform the land title to urban. They then sell it to real estate developers for a “land grant fee.”

As China’s cities expand, local governments first appropriate rural land—usually from village councils instead of individual villagers—and then transform the land title to urban. They then sell it to real estate developers for a ‘land grant fee’.

Land and encouraging homeownership by giving homeowners certain privileges, as well as lowering home loan rates.

This has distorted the real estate market and spurred various social problems. It has led to abuse of power and social injustice in rural areas—local governments often resort to forceful eviction when their appropriation of rural land is resisted by local villagers—and has increased overall debt levels in the financial system, posing an increasingly significant threat to the financial stability of the whole nation.

Under this pilot programme, though, local village councils, as representatives of villagers, will be able to directly engage in real estate development designated for the rental market, which means local governments will be excluded from the process. The policy, if effectively implemented, could address the fundamental problems of China’s real estate market to create a win-win situation for both urban and rural residents.

Without huge land grant fees, the number of cheaper rental properties and apartments will increase, which will help cool the overheated real estate market, lowering living costs for urban residents. At the same time, rural communities will have a fairer share of the fruits of China’s urbanisation. A healthier real estate market could also help to stabilise China’s financial market and contribute to the sustainable development of China’s cities.

How the programme will be implemented in different cities is still unclear, and therefore much of this remains theoretical. Local governments will inevitably see the loss of a major revenue source and it is not surprising to see resistance at local levels. According to the policy, the pilot programme should be fully implemented by the end of 2020. With China’s real estate market at a tipping point, the central government must show the political will to follow through all the way.
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Elders Scammed

Dozens of elderly people had been scammed out of their apartments in new get-rich-quick schemes disguised as investment programmes, due to the involvement of three notary offices in Beijing, by late July, 2017. In August, the Ministry of Justice prohibited notary offices from providing services to those over 60 who want to authorise others to sell their houses, unless they are accompanied by their adult children. In addition, the whole notarial process has to be recorded on video and any notarisation services for applicants whose identities are not verified are banned. Fangzheng Notary Public Office, which was involved in the scams, has suspended its business and its head was dismissed. To date, China is home to 13,145 notaries, and its head was dismissed. To date, China is home to 13,145 notaries, and notary offices nationwide issued nearly 140 million notarised documents, generating an income of 4.7 billion yuan (US$225 million) in 2016. Experts cautioned that current accreditation, notification and delivery procedures are flawed, and there is an urgent need to regulate the management and misconduct of some notary offices before an efficient warning system can be established to prevent vulnerable groups from being defrauded.

Phony Competition

According to statistics from Counterpoint Research, a market consultancy, the global shipment volume of smart phones increased by 2.3 percent in 2016, while Chinese brands saw an increase of 6 percent year on year, producing 465 million devices. In the second quarter of 2017, Chinese brands secured three places in the top-five list of global market share. Despite this performance, Chinese cellphone brands lack core technology and innovation in chips, storage and screens, the three crucial hardware components of mobile phones. Each area of the production chain of mobile phones is highly monopolised, and it is virtually impossible to come up with a differentiated product without global cooperation. The next three to five years will be the most critical period for Chinese brands, ushering in an era of 5G, artificial intelligence and the Internet of Things. A crisis looms large over domestic brands if they fail to develop core technologies or gain a voice in the setting of international standards.

Second-Tier Talent Race

Four of China’s first-tier cities – Beijing, Shanghai, Guangzhou and Shenzhen – have been top destinations for both highly-educated graduates and manual workers due to abundant job opportunities and competitive pay. In recent years, however, second-tier cities are squaring off to draw talent by issuing preferential policies, including housing subsidies, registration of hukou (residency permits, China’s internal visa) and the provision of start-up funds. The race to lure talent among cities reflects the fierce competition and cities which have joined the talent race are those ranked higher on the GDP growth list. At a time when GDP growth is increasingly fuelled by innovation rather than by financial investment, high-end talent will play a crucial role for a city’s innovation-driven development.

Vanishing Schools

Beijing has been host to a growing number of migrant workers over the past 20 years. Due to household registration rules, they are unable to send their children to public schools, and often cannot afford expensive private schools. Since 1997, migrant schools have sprung up citywide peaking at around 600 schools providing education for over 1 million migrant children. Beijing’s campaign to control its population has picked up pace since 2006 and it has become increasingly tough for migrant schools to operate – the threat of demolition and policy uncertainties hang over most migrant schools. To date, only 63 migrant schools have obtained an operating licence in Beijing. Private migrant schools have been operating in a grey zone, relying on local governments’ tolerance to expand, and it is a test of policymakers’ wisdom to properly handle migrant schools to ensure all children have access to education.
“Donald Trump’s administration has decided to open the Pandora’s box of a trade war, regardless of the friendly atmosphere built between the two countries over the past six months.”

International development and strategy researcher Li Wei and research assistant Song Yiming from Renmin University of China in an analysis of the US trade investigation into China, which involves section 301 of the 1988 Omnibus Trade and Competitiveness Act.

“The Chinese football team was at the bottom [of the scoreboard] before I got here [in October 2016], and it’s a pity that they stayed there till now.”

Marcello Lippi, chief coach of the Chinese men’s football team, talking about the Chinese team’s position in the World Cup qualifiers.

“It is true that online charitable activities, such as those on WeChat, have helped bring forth people’s enthusiasm for charity, thanks to its easy access and creative ideas. However, they also revealed an immature side to the charitable sector.”

Commentator Xi Po on why a charitable programme allowing the purchase of pictures by children with mental disabilities and autism launched by the Internet mogul Tencent has triggered wide debate on information transparency.

“I am also one of the students, and I do not agree with you.”

A mainland student at the Chinese University of Hong Kong who tore down “Hong Kong independence” posters put up by the student union, hitting back at the claims of the students who put them up that “they represent the view of the students.”

“Some older entrepreneurs in their thirties or forties may not understand the Internet.”

Li Xinze, a 17-year-old entrepreneur, sparking controversy by playing down his predecessors when interviewed by Sina China’s Pear Video division.

“Northeastern China only needs one word: freedom. Please untie [the private enterprises] there.”

Song Changtie, a native of China’s northeast, who has engaged in business and finance, attributing his hometown’s sluggish economy to private enterprises being largely marginalised by the local State-owned enterprises.

“No country or opponent will be kind or grateful to China’s assistance when it comes to wealth or profits. So, I think we may have to adjust and revise the direction of the Belt and Road initiative.”

Zhou Fangzhou, a commentator from the independent think tank of Chinese and American academics, US China Think Tank, who said that the recent territorial dispute between China and India indicated the rashness and vulnerability of the Belt and Road initiative.
China has implemented a points system for foreigners seeking work in the country, said Zhang Jianguo, director of the State Administration of Foreign Experts Affairs (SAFEA), which manages so-called “foreign talent” in China.

According to Zhang, the points system will be a part of China’s newly-issued management system for foreigners working in China, which took effect on April 1, 2017. The new system classifies foreign workers into high-end talent, experts and other employees, each of which will be put under its own assessment mechanism.

As a pilot city, Shanghai tried the new system from October 2016 to March 2017, during which it adopted a points scale to categorise foreign workers as well as those with urgently-needed skills in the scientific or high-tech fields. Those who get 85 points or more out of 100 will be listed as category A and receive a “green pass” when applying for China’s work permit.

Shanghai’s pilot system imposed no restriction on the education background of A-type foreigners, but requires B-type ones to have received a Bachelor’s degree or above from a full-time regular foreign university or to hold a Master’s degree or above from a Chinese university ranked in the Top 100. The B-type foreigners require 60 points or above.

Shanghai has set quotas for C-type foreigners, most of whom do temporary work in China, such as interns and workers in distant water fishing. According to Zhang, the new system has also greatly simplified the application formalities for better management, including unifying the former “work permit” and “entry permit” into a single permit which is now the one legal requirement for working in China, and setting up a nationwide database in which each foreign employee will be assigned a sole lifetime code for management.

According to Zhang, the new system aims to better serve foreign talent and protect their rights and interests. In the first half of 2017, SAFEA reportedly doubled the number of staff dealing with applications to shorten the waiting time for foreigners.

Peking Duck’s Homecoming

China is the world’s largest duck meat consumer so it made perfect sense for Beijing Capital Agribusiness Group (Sunlon) and CITIC Agriculture to buy up the world’s largest breeder of Pekin ducks in a $183 million deal.

Cherry Valley Farms, based in Lincolnshire in the north east of England, have an 80 percent market share in China where it runs farms and on their website proudly claim that they have “more than 50 years’ experience in the genetic improvement, breeding and production of Pekin ducks.”

The company has undertaken the breeding research at its British facility, the World Centre of Pekin Duck Genetics. “With the support of Beijing Capital Agribusiness and CITIC, Cherry Valley will continue its investment in duck genetics including genomics selection to better service the duck industries of the world,” the company said in a statement.
Business

British Lotus Flowering

Li Shufu, the billionaire owner of China’s biggest privately-owned car-maker, Zhejiang Geely Holding Group, is about to take a controlling stake in the iconic Lotus brand in a £51 million deal. This augurs well for Lotus’ future. CEO Jean-Marc Gales has nursed what was an ailing company following the 2008 financial crisis back into the black. “This is fantastic, the best thing that could have happened to us,” Gales said.

Li had already acquired Volvo and invested millions in a factory in the Midlands to build an electric version of the famous London black cab.

Geely has been careful not to lose the brand equity of their acquisitions, perhaps knowing these assets can be a path to profitability and success.

Following the black cab success, an electric Lotus vehicle is now envisaged, building on earlier forays by Lotus into this area. “In two or three years, battery-powered cars will be much higher performing than they are currently because technology moves on,” said Gales. “It could be a really good thing to be the first one to do an electric car that doesn’t weigh two tons.”

The only real worry in an otherwise rosy picture is Brexit. Half of production goes to the EU, and in total 85 per cent of sales are abroad so tariffs could bite. “Of course, we hope for a soft landing,” Gales said.

Education

Space Partners

Scientists from Britain and China have signed a memorandum of understanding in September to deepen their cooperation in space education and cultural activities.

Under the agreement, a new virtual centre for culture and education programmes will be led by Britain’s National Space Academy and a consortium of Chinese laboratories. It will be supported by the University of Nottingham.

The programme will initially work with some 100 schools from Britain, China and Belt and Road countries in the education programme, with a plan to extend it further at a later date. “We hope to accelerate the development in this area and in the future expand the programme into other developing countries, so as to nurture more talent in space science,” said Professor Yu Junsheng of the Beijing University of Posts and Telecommunications, the consortium’s leading scientist.

British students and teachers will also be offered the chance to participate in summer school programmes, including visits to China’s astronaut training and launch centres.

The pinnacle of the cooperation is that the National Space Academy has been invited to develop, in partnership with the Centre’s China organisations, new education experiments that will be loaded onboard future Chinese manned and unmanned space missions. This is the first time that such an invitation has been extended to an organisation outside China.

Trade

Ideal Launch Pad

The Midlands have got very good at marketing themselves as a business location for foreign direct investment and launchpad to export success. The “Midlands Engine” is the UK government initiative that aims to “position the Midlands as a major UK and European gateway unlocking the region’s potential and will support growth across every sector.”

The National Exhibition Centre in Birmingham, the UK’s largest exhibition centre, is translating this aspiration into reality. The NEC has just successfully attracted some 280 Chinese brand names to its Autumn Fair who see the venue as a perfect showcase.

A Chinese Embassy spokesperson was cautiously optimistic when he said in a speech, “despite Brexit I hope the United Kingdom continues to play a good ‘window’ role, to help Chinese products move into the European market.”
PAINFUL
On the night of September 7, a pregnant woman surnamed Ma committed suicide by jumping from a hospital building in Yulin, Shaanxi Province. Reports said Ma, 26, feared complications from childbirth and grew desperate after repeated requests for a cesarean section were refused. In a statement released after her death, Ma’s treating hospital claimed doctors had recommended a C-section, and that her husband had vetoed the operation despite her intense pain. Meanwhile, Ma’s husband claimed the hospital had told him a medical examination showed she was healthy and in no need of a C-section. The police and relevant departments continue to investigate the case, but netizens, particularly women, questioned why a pregnant woman was not given the choice to decide what would happen to her own body. Ma had signed a letter of authorisation before going into labour that authorised her husband to make decisions related to her care, but lawyers said the letter should not have overruled Ma’s own directions.

CONTROVERSIAL
Guangzhou Zoo announced last month it would end its relationship with a circus troupe that has performed there for 24 years. The zoo said it would transform the existing circus stadium into a free science museum to present a more naturalistic vision of the animals there. Netizens praised the zoo for establishing an economic model based on animal protection. But performers with the Anhui Guangde Animal Circus, who were told on August 30 that their contract would not be renewed, refused to leave and even continued to stage circus events, drawing the ire of officials. The performers argued their show was listed in 2008 as national cultural heritage, and that it is about communicating with the animals.

SHOCKING
An undercover investigation by independent consumer group Lanmei Test found five top hotels in Beijing, including the Hilton Beijing and Shangri-La Beijing, had failed to change bed sheets and clean toilets between guests. Investigators checked into their target hotels and left invisible UV marks before messing up the bed sheets and checking out. Colleagues who checked into the same rooms the next day used UV lamps to check for the marks. Some netizens questioned the motives and authenticity of the test, pointing out that the head of Lanmei Test had reportedly co-founded a tourism website. Nevertheless, many others trusted it, saying that in the absence of government supervision, five-star hotels could be expected to fail to live up to their high price tags.

FRUSTRATING
A local rehabilitation hospital in Nanjing, Jiangsu Province, was alleged to have abused elderly people in their care by tying them to wheelchairs. The hospital defended itself, pointing to understaffing. An unnamed doctor told reporters that most of the patients had lost the capacity to look after themselves, and some who suffered dementia would rip out IV drips and damage medical equipment if they were not restrained. He said that the hospital could not offer specialised one-to-one care without raising fees. Netizens responded with great sympathy to his words, noting the huge shortage of medical and nursing personnel in China and agreeing that their care for the elderly people was a “philanthropic act.”

Poll the People
Chinese nurseries have failed to meet demand since the nation ended the One Child Policy in January 2016. Chinese grandparents often help raise the children of working people but are frequently blamed for spoiling them. Given concerns about grandparents being forced to look after more than one child, some are questioning whether Chinese companies should be doing more to take care of children during working hours. So-called “enterprise nurseries” were ubiquitous in State-owned companies throughout the 1980s. Proponents of reviving enterprise nurseries say they will help parents to be more efficient at work, while detractors argued childcare was a parental responsibility and companies should not be forced to serve as “babysitters.”

Do you think it is a good thing for enterprises to set up internal nurseries for their employees?

- It’s good. 4,932 72.78%
- It’s not good. 1,009 14.89%
- It’s hard to say. 836 12.34%

Source: news.qq.com

Most Circulated Post
Retweeted 26,209 times by September 8

“He is truly China’s pride. Let’s salute Mr Yuan.”

Praised as “father of the world’s hybrid rice,” Chinese agricultural scientist and educator Yuan Longping has studied hybrid rice for more than half a century and made great contributions to Chinese food security. Yuan marked his 87th birthday on September 7 by delivering an English-language speech about his work at a high-end talent forum held in Qingdao, Shandong Province. Chinese state media posted the video of Yuan’s speech on Sina Weibo, China’s equivalent of Twitter, attracting thousands of views.
TOP FIVE SEARCH QUERIES

On Baidu for the week ending September 8

1. North Korea's H-bomb Test  531,605
   Shockwaves from North Korea's September 3 hydrogen bomb test were felt in northeast China. The foreign ministry strongly condemned the test.

2. Pregnant Woman Commits Suicide  245,613
   On September 7, a pregnant woman committed suicide in Yulin, Shaanxi Province, by jumping from a hospital building after reportedly being denied a C-section.

3. Chinese Learning Fever in Britain  220,158
   A survey of several thousand British parents found Chinese was believed to be the most useful language for British children to learn, according to the Daily Mirror newspaper.

4. Mainland Student Tears Down “Hong Kong Independence” Posters  192,062
   A mainland student at the Chinese University of Hong Kong was praised domestically after she tore down posters promoting Hong Kong independence placed by the university’s student union.

5. China's Housing Price Grows Fastest  179,532
   Chinese cities took up 6 of the top 10 places in a global index of housing price growth, according to the Hurun Global House Price Index 2017 Half-Year released by Hurun Research Institute, a Chinese leading luxury publishing group.

TOP BLOGGER PROFILE

Chen Lan

Followers: 595,680 by September 8

Chinese writer Chen Lan (pictured) was praised for helping expose a high-profile child sexual abuse case on her personal Sina Weibo account in late August. According to Chen, an anonymous netizen reported the scandal to her, saying she saw a young man hold a little girl at a train station in his lap and put his hand through her dress to fondle her chest. The alleged abuse lasted about five minutes, but nobody intervened. Chen shared the story alongside what appeared to be pictorial evidence. Chen’s online popularity saw the post garner thousands of retweets and drew attention from local police, who quickly located and detained the man. It later emerged the girl was his adopted sister. Chen said she was repeatedly threatened online but did not care. The writer has worked to protect the rights of women and children for a number of years, including by founding the NGO Xiaoxiwang (Little Hope) in 2013. Some of her moves have triggered controversy, like when she tried to establish a monument for a little girl starving to death, but Chen has been praised for pushing China’s society and legislature to take the rights of children and women seriously.

WHAT’S HOT?

Watchman of the Ancient Great Wall

Zhang Heshan, a 62-year-old man in Qinhuangdao, Hebei Province, was dubbed a “watchman” by netizens following reports that he had protected a local section of the Ming-era Great Wall for nearly 40 years. Every day, Zhang inspects the wall, picking up fallen bricks and waste left by tourists. He also records damage to the wall on a computer with the help of his son. Since the protection work has taken up so much time, Zhang has been poor for much of his life and was mocked by other villagers who exploited the wall as a tourist haunt. Nevertheless, he will persist in his work. “The Great Wall will prove that my dedication is right,” he told reporters.

WHY’S NOT?

Is ‘Playing Naked’ Respectful?

Footage of a five-year-old girl in Taipei playing naked beside a subway entrance provoked a mixed response when it was posted online. When passersby tried to intervene, the girl’s parents responded that she felt hot and had the freedom to make decisions about her own body. Some netizens supported the mother and her respect for her child’s independence, while others argued that respecting children did not mean letting them do whatever they wanted, and said parents must teach children how to protect themselves from sexual harassment and pedophilia.

Respectful?

Love Never Dies

What is love? An elderly man in Dalian, Liaoning Province, may provide the perfect answer. Apparently suffering amnesia, the man wandered off recently and could not find his way home, but police found he had taken two things with him: a letter he wrote to his wife 40 years ago, and her death certificate. Netizens were moved by the man’s deep love for his wife, saying that true love means never forgetting someone, even when they have forgotten the whole world.

Dead Pig Scandal

An environmental protection inspection team sent by the central government to Zhejiang Province exposed a local company that had illegally buried around 300 tons of diseased dead pigs four years ago instead of burning them. The team dug out the carcasses for proper disposal, causing a foul odour to spread over nearby villages. The villagers told reporters that they had lived with the odour for years and their reservoir was already polluted, leading netizens to question why the local government had turned a blind eye.

Some of the images used in this section are from the internet.
All That Glitters

China has called for a second ‘Golden Decade’ of BRICS cooperation amid rising scepticism over the group’s relevance

By Yu Xiaodong

On September 3 and 4, the 9th BRICS Summit was hosted by China in the coastal city of Xiamen, attended by leaders from the BRICS countries of Brazil, Russia, India, China and South Africa.

While it was intended to be one of China’s keynote diplomatic events of the year, the summit appeared to attract less attention from international media than previous summits. To some extent, the event was overshadowed by North Korea after Pyongyang conducted its nuclear test just one day before it started. But whatever the reason for the muted coverage, there is a perception among analysts that the group’s significance is declining.

Irrelevant?

Developed from an acronym originally coined in 2001 by Goldman Sachs economist Jim O’Neill, the BRIC group formed an official association in 2008 on the sidelines of the UN General Assembly. With the group’s first summit held in Russia in 2009, South Africa was invited into the bloc in 2011, turning BRIC into BRICS. The summit has been an annual event ever since.

With its calls for reform of the West-dominated international financial system, the bloc, which includes what many believe to be the world’s next economic powerhouses, has long been considered a rival to the Group of Seven (G7, the Group of Eight minus Russia). In recent years, the bloc has successfully led to a restructuring of global governance with an increase in the share of voting rights given to emerging markets at the International Monetary Fund and World Bank. The bloc has also launched the New Development Bank, previously known as the BRICS Development Bank, in 2015.

But in the past couple of years, the bloc has lost much of its glamour. With the fall of the price of oil and other commodities, Russia, Brazil and South Africa have been struggling economically, while the latter two have also been embroiled in a web of domestic political scandals in recent years. Even China’s growth has slowed down, with India being the only BRICS member that has seen accelerating growth. This has led many analysts to assert that the BRICS, as a bloc, has become less and less relevant.

Chinese President Xi Jinping, it appears, disagrees. In a speech at the opening ceremony of the BRICS Business Forum on September 3, Xi said in a time of sluggish economic growth, issues that the BRICS have aspired to address, such as “uneven development, inadequate governance and deficit of fairness” have become more acute as “protectionism and an inward-looking mentality are on the rise.”

“It is true that, affected by complex internal and external environments, we BRICS countries have encountered headwinds of varying intensity,” said Xi. “But the growth potential and trend of our countries remain unchanged, and we are fully confident about it.” Xi then called on the BRICS countries to deepen their partnership and usher in a ‘second ‘Golden Decade’ of BRICS cooperation.”

In another speech, at the BRICS Dialogue of Emerging Market Economies and Developing Countries held on September 5, Xi positioned China and the BRICS countries as guardians of economic globalisation. Reiterating its warning against rising protectionism and resistance against multilateral cooperation such as the Paris Accord on Climate Change, apparently referring to the US President Donald Trump’s policies without naming them, Xi called for the BRICS and other developing economies to promote trade liberalisation and an open world economy.

Xi also announced that China will provide 500 million yuan (US$76 million) for a BRICS economic and technology cooperation plan and another US$4 million to support the projects of the bloc’s New Development Bank.

Additional Members?

Apparently, to deal with the persistent perception of the bloc’s influence being in decline given the economic difficulties encountered by the smaller BRICS members, China also launched the so-called “BRICS Plus” concept, proposing that the bloc include more developing countries into the BRICS mechanism.

The concept enjoyed a prominent position in Xi’s speech on September 3, as Xi called on the BRICS countries to “promote the ‘BRICS Plus’ cooperation approach” to “get more emerging market economies and developing countries involved in our concerted endeavours for cooperation and mutual benefit.” Instead of focusing on the five BRICS countries, China’s rhetoric regarding the BRICS coop-
The concept was eventually featured in the joint statement released by the BRICS states after the summit concluded, as the BRICS pledge to “pursue equal-footed and flexible practices and initiatives for dialogue and cooperation with non-BRICS countries, including through BRICS Plus cooperation.” An editorial published by China’s Party-owned Global Times dubbed the concept a “major legacy” of this year’s summit.

But China has not achieved all it had hoped for. In previous years, it has been a tradition of the host country to invite other developing countries to attend the BRICS summit as observers. This year, China invited Thailand, Tajikistan, Mexico, Kenya and Egypt as guests. With the BRICS Plus concept, China has proposed to transform this practice into a permanent mechanism. But according to a report of The Times of India, China’s efforts in this regard were resisted by India, as New Delhi is concerned that its own influence within the group might be diluted by other countries, especially if Beijing’s allies are included.

**China vs India**

Indeed, besides the economic difficulties the BRICS countries have encountered, the potential strategic rivalry between China and India, the world’s two most populous countries and the two largest economies of the BRICS bloc, has long been a major concern over the long-term cooperation between BRICS members.

In the run-up to the BRICS summit, border troops of the two countries had been locked in a confrontation in the Doklam region for over two months, which had cast a shadow over the possibility of a successful summit. The standoff was ended less than a week ahead of the summit on August 28, allowing New Delhi to confirm the attendance of India’s Prime Minister Narendra Modi to the summit the following day, August 29.

It is no surprise that the meeting between Xi and Modi on the sideline of the BRICS summit was a major focus of the event. During their meeting, the two leaders stressed the importance of “maintaining peace and tranquility in border areas.” The two countries also pledged to see each other’s development as an opportunity, instead of a threat.

While there is still a profound lack of political trust between China and India, the fact that the border confrontation was defused just before the BRICS summit also shows how important the BRICS grouping is for the two countries, as it provides one of few platforms for them to work together on various issues.

Despite their different interests on a variety of issues, China and India continue to share the common aspiration to reform global financial governance. In his speech at the summit, Modi echoed much of Xi’s call for greater BRICS cooperation. Noting that the world is “drifting towards uncertainty,” Modi said that the BRICS countries have developed a robust framework for cooperation.

On reforming global financial governance, Modi also called for the creation of a BRICS ratings agency to counter Western ratings institutions and cater to financing the needs of sovereign and corporate entities of developing countries. Also in the joint declaration, the BRICS countries reaffirmed their commitment to reforming the IMF and World Bank.

**Long-Term Aims**

In the meantime, the New Development Bank (NDB), the BRICS’ answer to the World Bank, has also funded (rather than providing a loan) its first project, a solar power project of US$76 million, which started operation in Shanghai on September 2 after being approved in December 2016. According to Shi Yaohui, China’s vice minister of finance, the NDB has approved 11 projects.

Just one day prior to the BRICS summit on September 2, a ceremony was held to mark the construction of the NDB’s permanent headquarters in Shanghai, which is expected to be completed by September 2021. Earlier in July, the NDB launched its African Regional Centre in Johannesburg, South Africa.

According to Chen Fengying, former director of the World Economy Institute at the China Institutes of Contemporary International Relations, although some of the BRICS countries have experienced some growth pains, the logic behind the significance of the bloc, that is the logic behind the rise of emerging economies and their aspiration for reforming the global governance framework, remain unchanged.

Data released by China’s Ministry of Commerce show that the BRICS countries’ share of global GDP has increased from 12 percent in 2006 to 23 percent in 2016, with the share of total trade increasing from 11 percent to 16 percent and the foreign direct investment increasing from 7 percent to 12 percent.

Moreover, Chen argued that unlike the G7, the BRICS cooperation has more to it than just a presidential summit. In the joint declaration released after the BRICS summit, for example, it outlines dozens of cooperation initiatives covering a variety of fields.

“While one talks about how BRICS has lost its lustre, one should not ignore the fact that BRICS cooperation has gone far beyond a yearly presidential summit, to have become an institutionalised mechanism,” Chen told ChinaReport. The incremental steps achieved by each meeting and summit, Chen said, will lead to a long-term reform of the global governance structure. ★
With tensions rising in recent weeks over North Korea’s provocative rhetoric and missile tests, the top Pentagon general Joseph F. Dunford Jr., chairman of the Joint Chiefs of Staff, spent three days in China in a mid-August visit watched closely by observers.

The highest-ranking Pentagon official to visit China since US President Donald Trump took office, Dunford met with his counterpart Fang Fenghui, chief of the People’s Liberation Army (PLA) Joint Staff Department, as well as Chinese President Xi Jinping, and Fan Changlong, vice-chairman of China’s Central Military Commission (CMC), China’s top military body.

In Beijing, both nations agreed to establish a new military communication mechanism between their joint staffs. Talks to set up the Joint Staff Dialogue Mechanism will begin in Washington in November.

Both sides demonstrated a strong will to maintain good military relations. Dunford said that reducing the potential for miscalculation was a minimum standard for bilateral military ties and that the two sides should try to find more areas of cooperation, while Fan...
Changlong called on both militaries to inject positive energy into China-US relations.

**North Korea’s Place**

It’s no surprise that the North Korea crisis was a primary focus of Dunford’s trip, given the escalation of warnings and threats between Washington and Pyongyang in recent months. Days before Dunford’s trip, North Korea threatened to fire ballistic missiles into the vicinity of Guam, which houses the major US naval and air force assets in the Pacific. US President Donald Trump warned in response that such provocations would be met with “fire and fury.”

The tension has also strained the US-China relationship as Washington reiterated its criticism of Beijing for failing to rein in Pyongyang. As the risk of military clashes on the Korean Peninsula rises, Dunford’s trip to China, part of a broader tour that included South Korea and Japan, was widely seen as an attempt to manage the relationship between Washington and Beijing over North Korea.

Few believe it’s a coincidence that on the very day Dunford embarked on his trip to China, Beijing announced new bans on the importation of North Korean iron ore, iron, lead, coal and seafood, as part of a new United Nations sanctions package against Pyongyang. After he met Fan, Dunford flew from Beijing to Shenyang, the capital of Liaoning Province which shares a border with North Korea. There he visited the headquarters of the PLA’s Northern Theatre Command (NTC), one of five theatre commands the PLA has established as a function of military reforms undertaken by Xi Jinping as head of the Central Military Commission. Accompanied by NTC commander Song Puxuan, Dunford observed PLA military exercises at a camp some 200 kilometres from the North Korean border.

This is unusual. Dunford is believed to be the first top US military official to have observed a military drill in the region, and the symbolism has not been lost on analysts. Citing one military expert, a report in The Wall Street Journal suggested Dunford’s visit to the region was a stern warning to the North not to set a foot wrong.

The US account of Dunford’s trip also focuses on the North Korea issue. According to the official handout of the meeting between Dunford and his Chinese counterpart Fang Fenghui, for example, the two sides talked about almost nothing but the North Korea crisis. Dunford repeated Washington’s long-time call for China to increase pressure on Pyongyang, and reiterated the US resolve to “use the full range of military capabilities” if peaceful options fail.

Dunford repeated the rhetoric as he wrapped up his three-day visit to China on August 17. According to the account of the US Department of Defence, he warned that the US was “working toward a peaceful solution,” but “if the president comes to us with a decision to use military force, we will provide him options.”

**Missing Narrative**

Chinese officials focused on a different aspect of Dunford’s visit, what they called the “overall picture” of the bilateral relationship, while downplaying its correlation with the North Korea crisis. In the official account of the meeting between Dunford and President Xi released by China’s defence ministry, for example, there was no mention of North Korea. Instead, Xi Jinping was quoted as stressing the importance of the bilateral relationship’s “general direction” which he said “not only concerns the fundamental interests of the two nations and their people, but also profoundly affects the overall international strategic situation.”

“China and the United States shoulder an important responsibility to safeguard world peace and stability and to promote global development and prosperity,” his statement said.

In an interview with ChinaReport, Zhou Bo, director of the Security Centre at the Office for International Military Cooperation of the Ministry of National Defence, also played down the correlation between Dunford’s visit and the North Korea crisis. Zhou characterised Dunford’s visit as the result of the first round of the US-China Diplomatic and Security Dialogue held in June, and said the visit was initially scheduled in the same month but was postponed by the US. Bo also dismissed the symbolism attributed to Dunford’s presence so close to the North Korean border, saying the military drill was a gesture of “goodwill” from the Chinese side.

Zhou also interpreted the agreement on cooperation from a historical perspective and refused to link it to North Korea. He stressed that earlier in 2014 and 2015, the two militaries reached agreements on a code of conduct for safe maritime encounters between surface vessels and air-to-air encounters. Also in 2015, the two militaries signed
an agreement to establish the US-China Army-to-Army Dialogue Mechanism, and set up a military hotline later that year.

Zhou said the joint staff mechanism was a further step that went beyond individual branches of the two militaries. Zhou said that under the mechanism, the two sides could follow through on an agreement reached in 2014 to notify each other in advance of major military activities.

But Zhou admitted that China and the US disagree on exactly what constitutes a “major military activity.” “For China, the focus is on the US’s military activities around China, but the US’s focus is on China’s military developments, such as its space programmes and nuclear arsenal development, with particular attention on establishing a similar mechanism to that established between China and Russia in 2009 to notify each other of impending ballistic missile launches,” Zhou told ChinaReport.

‘Candid and Professional’

Washington and Beijing’s different takes on Dunford’s visit may reflect the fact that despite consensus on the need to enhance military ties, the two countries remain far apart on a variety of issues including that of North Korea.

Just a week before Dunford’s visit, a US destroyer sailed near an island controlled by China in the South China Sea as part of a freedom of navigation operation, which Beijing called “provocation.” Also in early August, the US released a joint statement with Japan and Australia calling on Beijing to endorse a legally-binding code of conduct over the South China Sea, seen as an effort to disrupt ongoing Chinese efforts to reach a code of conduct agreement with ASEAN countries.

Other sources of friction are the US plan to deploy a missile-defence system known as Terminal High Altitude Area Defence (THAAD) in South Korea and its plans to enhance ties with Taiwan. More recently, the possibility of a future trade war increased when both countries launched anti-dumping probes against each other’s products.

Against this backdrop, Dunford commenced his meeting with Fan Changlong by stressing the importance of “candid and professional communication” between their militaries “because both nations have tough issues where we do not share the same perspective.”

As it turned out, Fan was no less candid than Dunford regarding the disputes between their respective nations. According to the account released by China’s defence ministry, Fan told Dunford that “the US’s wrongful actions such as meddling in Taiwan, establishing THAAD around China, spying closely on Chinese sea and air territories, and the constant activity of US planes and ships in the South China Sea, have had a negative effect on mutual trust and military-to-military ties.”

Regarding the North Korea crisis, Fan reiterated that China “resolutely believes that dialogue is the only effective measure” and “military action cannot be an option.” “Related parties should remain restrained, and avoid actions or words that can intensify the situation,” he added.

Unfortunately, in defiance of both Beijing and Washington, Pyongyang not only resumed its missile launches, but conducted its sixth nuclear test on September 2, triggering a new round of the crisis.

In response, China voiced its strong condemnation and backed a UN Sanction against Pyongyang, which analysts estimated will cut North Korean exports by 90 percent. But as the sanction does not include an oil embargo, consistently sought by Washington, the disagreement between Beijing and Washington persists. While US ambassador to the UN Nikki Haley said North Korea is “begging for war,” China’s Ambassador to the UN Liu Jieyi reiterated Beijing’s call to “resume negotiations.”

With less and less room for ambiguity, the future of the US-China military relationship, and the overall bilateral relationship, will be significantly tested as the North Korea crisis further evolves.
Attention please. We are arriving at the city of Puyang. Passengers who are going to alight here, please make your way to the doors and get ready to jump,” goes a joke that recently went viral online among residents of Puyang, in central China’s Henan Province.

It spread after an editorial in the Puyang Daily, the Party mouthpiece of the local government, on August 7, 2017, questioned China Railway Corporation (CR), China’s railway operator, about why the Beijing-Kowloon high-speed route currently in its planning phase would not stop at Puyang.

In recent years, competition for high-speed railway lines and stops among local governments has frequently hit the headlines. Such lines bring a raft of benefits to local governments, who tend to treat the projects as a “tangible resource,” meaning a political achievement.

What about Puyang?

Puyang residents told our reporter that they hoped the high-speed railway line would have a stop in the city of 4 million. It was not until March 2016 that the city opened its first passenger railway line, to Zhengzhou, the capital city of Henan Province, making it the last city in the province to have a State-owned passenger train.

In July 2016, the National Development and Reform Commission (NDRC), CR and the Ministry of Transport jointly released their medium- and long-term plans for high-speed trains. The Beijing-Kowloon railway line that links the Chinese capital with Hong Kong covering a distance of 2,400 kilometres became a focus of attention.

The rapid expansion of China’s high-speed rail network has seen a growing number of local governments contend for the booming business.

By Zhou Qunfeng
According to the plan, the railway line will pass three cities in Shandong Province instead of the city of Puyang across the border in Henan. An article in the Puyang Daily said the section in Shandong Province is at risk from the unstable embankment of the Yellow River and numerous abandoned coal mines. In addition, three major coal mines that have recently obtained mining licences will have to be compensated with an additional investment of 2 billion yuan (US$300 million).

On August 8, 2017, the Railway Construction Coordination Office in Puyang published an open letter saying that the Henan provincial government had contacted CR to appeal for a station.

ChinaReport tried to contact CR for more details but was told that a news release had gone out that day. The announcement said the railway line that links Zhengzhou with Jinan, capital city of Shandong Province, had been under construction since the end of 2016 and 680 million yuan (US$100 million) had been invested. A railway line from Zhengzhou to Jinan with a stop in Puyang is expected to be finished in 2021. As for the information regarding the Beijing-Kowloon project, however, there are no details.

Cutthroat Competition

The advent of bullet trains has exerted a profound impact on Chinese society and the economy. Several experts interviewed by ChinaReport argued that along with the explosive growth of the bullet train network, high-speed trains had become an obvious political and economic resource and many local governments were trying to cut themselves a slice of the pie.

A former senior engineer of the China Academy of Railway Sciences told our reporter on condition of anonymity that it is now common for local governments to squabble for high-speed projects. He added that bullet train projects are equated to government performance standards, and while many government officials and the public know little about bullet trains, they still regard them as a panacea for an area’s economic or development issues.

This engineer has participated in many evaluation meetings on high-speed projects and says that it is not uncommon for local governments to disagree with rail authorities regarding routes and stops. One thing that struck him in particular was when local government officials once criticised the expert panel for “discrimination.”

Zhong Zhangdui, a lecturer at Beijing Jiaotong University, told ChinaReport that bullet trains provide high passenger capacity and “the recent fight for bullet train resources reflects that China’s rapidly growing high-speed transportation network is struggling to meet demand.”

Zhong argued that it is obvious that bullet trains could boost economic growth, passenger flow, logistics, city image and real estate construction. Many officials depend on bullet trains to improve the economic performance of their region. Official statistics show that roughly 1.5 billion high-speed passenger trips were made in 2016. China’s high-speed railway network is the largest in the world to date, accounting for roughly two-thirds of the world’s high-speed rail tracks in 2016.

In addition to Puyang’s fight for a train stop, several other cities have joined the brawl over the years. During the 2016 Two Sessions (China’s annual parliamentary congress), Bi Xiaobin, mayor of the city of Liu’an, Anhui Province, who is also a deputy of the National People’s Congress (NPC), China’s top legislature, raised a proposal suggesting the Beijing-Kowloon route serve a stop in his city. One year later, 31 NPC deputies from Shandong Province jointly submitted a bill, pressing for a stop in Liangshan County, Shandong.

In the bullet train battle, competition is growing more fierce between adjacent cities. The cities of Jingzhou and Jingmen in
Hubei Province have both been vying for a train stop. The Yangtze River Chamber of Commerce in Jingzhou created a public petition, saying that “without bullet trains, cities are nothing but scattered pearls. With bullet trains, cities become pearls on a necklace.”

During the planning of the Zhengzhou-Chongqing bullet train project, the neighbouring cities of Shiyang and Xiangyang in Hubei Province were competing for a train stop. Both cities’ Party chiefs went to Beijing to lobby. Chen Tianhui, then Party chief of Shiyang, said that bullet trains would be a lifeline for Shiyang. Tang Zhisheng, then Party chief of Xiangyang, visited the Ministry of Railways, the predecessor of the CR, and asked to add Xiangyang to the list of train stops. On September 29, 2014, the NDRC ratified the Zhengzhou-Chongqing railway line and Xiangyang secured the train stop.

Apart from the consideration of government accomplishments, pressure also comes from the public. When the Shanghai-Kunming high-speed rail was in the planning stage, the cities of Shiyang and Loudi in Hunan Province petitioned for a stop. Over 100,000 residents of Shiyang took to the streets in May 2015 and shouted slogans along the lines of “the Party chief and mayors should step down if we don’t get high-speed trains.” The railway line will now have stops in both cities.

A senior official in Shiyang told Xinhua news agency that senior officials in the city at that time met every day in their efforts to secure a train stop. According to an article in Xinmin Weekly, Ren Runtang, deputy director of the CR's evaluation centre, cautioned the panel of experts that they should concentrate on the bullet train itself, and not be distracted by other factors.

**The Buck Stops Where?**

Dong Yan, a researcher with NDRC’s Institute of Comprehensive Transportation, told our reporter that not all cities are suitable for high-speed trains, particularly smaller, less economically-developed cities, because it would take decades to turn a profit on the infrastructure. He said that is why experts and engineers from railway authorities conduct a survey first.

After a preliminary survey is made, the findings are sent to the CR’s Evaluation Centre before a final report is drafted based on factors including safety, cost and economic concerns. According to Wang Mengsu, an academician at the Chinese Academy of Engineering, it is a professional procedure and neither the NDRC nor provincial governments have the right to intervene.

“Local governments can offer their suggestions on the establishment of railway lines and stops but the CR has the final say over the construction of any trunk lines. As for the branch lines, local governments tend to have a louder voice,” he said.

A former senior engineer with the China Academy of Railway Sciences told China Report that those planning railway lines and train stops have to consider factors including the overall rail network, regional development planning, status and functions of the city, passenger volume and road transportation capacity. What’s more, bullet trains have to weigh the benefits of speed against cost.

He said that the Beijing-Tianjin high-speed railway has a length of more than 100 kilometres without a stop. It was designed to run at 200km/h but to better facilitate the 2008 Beijing Olympic Games, the railway line was constructed with a speed of 350km/h and the investment was increased to 20 billion yuan (US$3 billion) from 10 billion yuan (US$1.5 billion). “The travel time from Beijing to Tianjin was cut by only nine minutes and the loss outweighed the gain, leading to ticket price rises and years of losses,” he said.

He added that it is the responsibility of railway planning authorities to map out railway lines and stops, but railway experts should communicate with local governments and the general public more positively in a bid to meet demands from all sides.

“I have joined quite a few evaluation meetings and for each problem there will be a solution. Most local governments could take the overall situation into consideration and the NDRC plays an authoritative role,” he said.

Wang Mengsu told our reporter that major high-speed railway lines should always be constructed at the national level, but the branch lines could be operated by local governments, which is the best way to quieten down the quarrel over railway lines. Zhong Zhangdui, however, argued that a single high-speed railway cannot solve all the problems of the towns that get stops, and the future way out lies in an increased investment in an intercity railway network to meet the demands of more cities.

The recent government work report revealed that 800 billion yuan (US$120 billion) will be invested in bullet train projects in 2017. The overall transportation plan released by the State Council, China’s cabinet, showed that by the end of 2020, China’s bullet trains will cover 80 percent of cities that have a population over one million.☆
HIGHS AND FLOWS

ChinaReport probes the rationale behind the Chinese government’s recent efforts to curb severe capital outflows
Money can be as unpredictable as the weather. On September 12, 2017, the Chinese yuan finally fell a little against the US dollar in terms of the benchmark central parity price set by China’s central bank each trading day. The yuan had risen each trading day since August 29, the longest period of unbroken growth since July 2005 when the parity price setting system was launched, and the highest point since May 12, 2016.

Also on September 11, the yuan dipped on the onshore interbank market and the offshore market. This was attributed to the relaxing of foreign exchange rules imposed on Chinese banks and foreign financial institutions nearly two years ago. The rules were part of China’s efforts to resist strong depreciation pressure on the yuan at that time. As China’s central bank explained, the decision to ease these rules was based on a consensus among academics and the market that the yuan’s rate stood at a “reasonable equilibrium,” with cross-border capital flows and market demands for foreign exchange “more balanced.” The market picked up the hint that the Peoples’ Bank of China (PBOC) had changed its attitude out of concerns over the yuan’s rebound this year being too fast and too strong.

Yuan price and policy changes over the past two years are widely believed to be the result of variants of the US dollar against other major currencies beyond the yuan, as well as China’s domestic situation, including economic growth and foreign exchange measures. There were surprises along the way.

**Yuan’s Rally**  
The yuan has been gaining ground this year. Its monthly average benchmark parity price in August reached a 10-month record as a result of accelerating appreciation since the end of May. This is the opposite of what analysts expected at the end of 2016, when rounds of depreciation triggered pessimism about the yuan’s future performance.
The situation also represents the reversal of a pattern that stretched through the decade to the second half of 2014. The yuan began to face great appreciation pressure immediately after the daily official parity price was introduced in 2005. The surplus of China’s international payments, generated by China’s trade surplus, inbound foreign direct investment and short-term capital inflows, boosted the yuan’s value. The US and EU believed the yuan would have been even stronger than it was had the Chinese government intervened less to resist this appreciation. The yuan’s value had been a flashpoint between China and its two largest trading partners, the US and the EU, for years. They complained that the yuan was undervalued to give Chinese exporters an unfair advantage. During his election campaign, then-US Presidential candidate Donald Trump threatened to label China a “currency manipulator” on the first day of his presidency.

He never followed through. Instead, the Trump administration has come to welcome China’s intervention on the yuan. In its April 2017 report to the US Congress, “Foreign Currency Policies of Major Trading Partners of the United States,” the US Treasury Department recognised that China’s recent intervention had “sought to prevent a rapid RMB depreciation that would have negative consequences for the United States, China, and the global economy,” though it reiterated the criticism of China’s intervention on the yuan in previous years. In 2015 and 2016, China’s yuan weakened by 5.8 percent and 6.8 percent against the US dollar respectively. It is widely held that the yuan would have plunged further had the Chinese government not intervened.

The return of the yuan to strength in 2017 has already affected China’s foreign trade. According to China’s General Administration of Customs, the first eight months of 2017 saw China’s exports increase at only around half the rate of imports, and China’s trade surplus shrank by 15 percent year on year.

**Dollar Dips**

The benchmark for the dollar’s value on the international market, the ICE US Dollar Index Futures, USDX or DXY, weighted by six currencies not including the yuan, fell by more than ten percent in the year to September 12. This was the opposite of what analysts expected at the end of 2016, when the index had been on an upward track for four years in a row. The DXY soared 13 percent in 2014, the biggest growth since 1997, and stood well above 90 at the end of 2014, a rate it had not reached since July 2009. During this period the dollar was supported by a rapid recovery in US growth, the expectation for the US dollar on the international foreign exchange market.

The dollar began to run out of steam in January 2017. Market confidence in sustained growth and the relief of political tension in the US dwindled. US economic data for the first half of the year undershot government targets and market forecasts. Hope that Trump would deliver his campaign commitments, including tax cuts and infrastructure spending, looked shaky at best. During the annual conference of central bankers and economists at Jackson Hole, Kansas, at the end of August, the US Federal Reserve Chair Janet Yellen refused to give any hints about the future direction of monetary policy. More recent hurricanes in the Atlantic would further dent US growth. In the eyes of analysts and the market, an interest rate hike from the US Fed within the year is less likely than it was before. Low interest rates are not attractive to capital inflows that would boost the US dollar. By comparison, the eurozone has been performing so well that the market has had a close eye on an expected European Central Bank increase in interest rates. Emmanuel Macron defeated the far-right candidate Marine Le Pen in the French presidential election, and as a result, the euro has been gaining ground against the US dollar through 2017, dragging the DXY down constantly.

In addition, in an interview with CNBC on August 31, US Treasury Secretary Steven Mnuchin expressed support for a weaker dollar saying it was “somewhat better” for US exporters. The US Dollar Index fell after his remarks. Before this, President Trump had repeatedly expressed a lack of interest in a strong dollar.

**Technical and Environmental Change**

Chinese officials and analysts agree on the basic forces behind the yuan’s movements over the past two years, starting with depreciation and marching towards appreciation. The value of the US dollar compared with currencies other than the yuan weighs a lot on China’s new policy of setting the yuan’s parity price against the US dollar, though the extent of its impact has been contested among Chinese policymakers and analysts. Since the end of 2015, aside from the closing price of the previous trading day, the index of a basket of currencies (which has expanded to 24 currencies from 13 as of January 2017), has adopted into its formula the yuan’s parity price against the US
dollar. This means the value of the dollar against other major currencies is also taken into account. China’s central bank has explained that the purpose is to guide the market to pay more attention to foreign currencies other than the US dollar. However, in this equation, to maintain the basic stability of the basket, the yuan’s central parity price needs to depreciate against the US dollar when the US dollar gains strength against other currencies, and appreciate against the US dollar when the dollar index falls.

China’s economic situation is a factor. For example, as mentioned above, on August 11, 2015, China’s central bank declared that the closing price of the previous trading day on the inter-bank foreign exchange market would be factored into the official parity price. This was designed to move the yuan’s foreign exchange rate to a more market-oriented mechanism, as the closing price was the result of market trading. The central bank depreciated the parity price the first day of the new policy. However, as China’s economy had been slowing down for some time and coping with the aftermath of a stock market crash that year, the action was interpreted by the market as proof that China’s economy was actually worse than official data showed, and thus needed to be saved by depreciating its currency. The pessimism towards China’s growth then triggered the yuan’s nosedive right after the new policy was adopted. Some scholars regarded this as a well-intended reform taken at the wrong time. The yuan continued its trend of weakening in the following months while growth remained lukewarm.

In 2017, China reported higher than expected GDP growth and corporate profits for the first half of the year. This provided the springboard for the yuan’s rebound. As the yuan began to strengthen, exporters who had hoarded US dollar-denominated revenue decided to switch this revenue into the yuan for fear that the dollar would depreciate further. Their sell-off further weakened the dollar. This was regarded as an increasingly significant factor after May when the yuan’s rebound firmly up.

In addition, China has stepped up its crackdown on irregularities, particularly unregulated loans that could threaten the nation’s systemic financial security. This has reduced market liquidity and pushed market interest rates higher than the interest rate in the US. It may also have encouraged capital inflows into China, boosting the yuan.

**Sentiment Hedge**

Another important variable is Chinese measures to hedge market sentiment when it is regarded as erratic by Chinese foreign exchange authorities. At the end of May 2017, China’s central bank adopted a new variable called “countercyclical factors” in its calculation of the parity price. According to a statement by the China Foreign Exchange Trade System (CFETS) run by the central bank, this is designed to offset lopsided market sentiment that might trigger irrational “herd behaviour.” The new variable is thought to have played a big role in the accelerating growth of the yuan since the end of May.

During its period of devaluation, China also spent its foreign exchange reserves to prop up the yuan. The reserves dropped month by month between July 2014 and February 2017, decreasing by nearly a trillion US dollars during this period. Pan Gongsheng, deputy governor of the People’s Bank of China (PBOC) and head of the State Administration of Foreign Exchange (SAFE), lamented in the early July issue of the Qiushi Journal, the flagship twice-monthly magazine of the Central Committee of the Communist Party of China, that the money had been spent by Chinese companies and citizens on their overseas investments, foreign debt repayments and overseas travel. However, the market and analysts doubt this. Dr Xiao Lisheng, deputy head of International Finance division of Institute of World Economics and Politics of the Chinese Academy of Social Sciences, argued in a July opinion piece for Caixin that the money had been mainly used by China’s foreign exchange authorities to stabilise the yuan’s rate when it was hit by capital flight.

The issue of capital flight has been a contentious topic since China began to weather the yuan’s constant depreciation in the second half of 2014. China has tightened capital controls since then. The efforts have been recognised as a major contributor to the yuan’s rebound this year. While dwindling foreign exchange reserves may ordinarily be far from the minds of the average Chinese citizen, changes in policies towards capital flows have a direct impact on Chinese companies, investors and consumers who have been increasing their overseas ventures rapidly during this period. As such, the policy has captured the attention of both analysts and the public.

In an August article for China Forex, a biweekly SAFE publication, SAFE spokesperson Wang Chunying, who heads the Balance of Payments Department, said the pressure of capital outflows from China had been eased significantly, as shown by several major indicators including the rebound of the country’s foreign exchange reserves, less sales of foreign exchanges and the decline in outbound foreign direct investment.

The effects of currency depreciation always vary among stakeholders. However, a mix of currency depreciation and capital outflow, which reinforce each other, create the worst circumstances an economy can experience. This is one of the bitterest lessons that the world has learned from recurrent regional and global financial crises. It was also China’s major concern in the face of the yuan’s depreciation, which has been reversed now but may come back due to uncertainties around the growth of China and the US. More importantly, the reasons for and results of China’s recent efforts to curb excessive capital outflows go beyond the yuan’s movement.
China’s foreign exchange reserves

-8000 -7000 -6000 -5000 -4000 -3000 -2000 -1000 0 1000

Source: State Administration of Foreign Exchange

China’s cross-border capital flow in terms of current accounts (mainly trade balance) and non-reserve capital and financial accounts (investment and net error and emission)

Source: State Administration of Foreign Exchange of China

Non-financial outbound foreign direct investment by companies from the Chinese mainland

Source: Ministry of Commerce of China

Overseas mergers and acquisitions by Chinese companies by ownership

Source: Hurun Report

The yuan’s appreciation against the US dollar, January – July 2017

Source: State Administration of Foreign Exchange of China
Giant Wanda Plazas are a fixture in many Chinese cities. Consumers go there to shop, watch films and play games. In the past few years, their owner and operator, Beijing-based Wanda Group, has become a big shopper itself — on the international market. “The year 2016 saw Wanda’s greatest number of overseas acquisitions in our [28 years of] history, contributing to the growth in scale and net profit,” Wang Jianlin, Wanda’s chairman told his staff at a company meeting in January 2017. Wang was named China’s richest person by Forbes for the years 2013, 2015 and 2016 (in 2014 he was beaten by Alibaba Group founder Jack Ma). In Wang’s speech, which was published on the company’s website, he praised a buy-out of Odeon & UCI Cinemas and Carmike Cinemas by Kansas-based company AMC, which was acquired by Wanda in 2012 and listed on the New York Stock Exchange in 2013. He declared that Wanda would continue its overseas ventures in 2017 through more acquisitions, as well as through progress on theme park and luxury hotel projects inked in 2016.

Wanda is not the only Chinese company on an overseas shopping spree. Chinese companies have been eager to go global since the aftermath of the 2008 Global Financial Crisis. They made a record high level of outbound foreign direct investment (FDI) in 2015, eclipsing China’s inbound foreign direct investment for the first time. They set an even higher record in 2016, according to China’s Ministry of Commerce.

However, there are questions over whether some of the deals will be delivered, and whether China can consolidate its position on outbound FDI in 2017. In a change of tune, Wang Jianlin recently told reporters that he would “focus on domestic investment” in response to China’s steps to curb capital outflows while the yuan was facing depreciation pressures.

China stepped up scrutiny of capital outflows while the yuan was facing depreciation pressures. But other considerations have also underwritten the government’s moves, and investors’ incentives.

By Li Jia
to the “call of our country.” For the past few months, Wanda has been
dogged by speculation that it was instead the call of regulators that
had restricted it from moving money, or even its chairman, abroad.
It has announced it would sue Chinese language media in China and
the US for starting what it called “malicious rumours,” which dipped
the value of its shares and bond prices at home and abroad.

But it has been confirmed that China’s Banking Regulatory Com-
mission was scrutinising the financial positions of companies engag-
ing in aggressive overseas acquisitions. It is also true that the Chinese
government has been tightening capital outflows to defend the yuan’s
value from a sharp depreciation against the US dollar over the past
two years. Since the end of 2016, senior officials with several min-
istries repeatedly warned against “irrational overseas investment” by
Chinese companies. On August 18, the State Council issued a guide-
line that restricts overseas investments in “real estate, hotels, cinemas,
entertainment and sports clubs,” all of which were on the shopping
list of Wanda and other giants.

Reading Between the Lines

In an article in the May issue of Modern Bankers, a Chi-
inese journal, People’s Bank of China (PBOC) deputy head Pan
Gongsheng, who also heads the State Administration of Foreign Ex-
change (SAFE), concluded that capital flows in and out of China
resonate with international capital flows. Between 2000 and 2014,
China took in much more foreign direct and portfolio investment
than it made in outbound investments. Internationally, capital from
developed markets sought higher returns in emerging markets with
faster economic growth during this period. However, in 2014, China’s
non-reserve capital and financial accounts, which reflect cross-border
investment, recorded deficits between the second and fourth quarter,
and the surplus for the whole year was down 89 percent on 2013.
In 2015, 2016 and the first quarter of 2017, the deficit of China’s
non-reserve capital and financial accounts, a sign of net capital out-
flow, had exceeded the country’s trade surplus, according to the SAFE.
Internationally, an economic slowdown in emerging markets and the
US Federal Reserve’s tapering of quantitative easing, followed by its
benchmark interest rate hike, drove capital back to developed mar-
kets, particularly the US.

Some capital flows cannot be tracked to particular investors, and
are recorded as “net errors and omissions” as an “offset to the over-
statement or understatement” of other entries, according to the IMF.
Theoretically and practically, these are attributed to technical factors –
statistical methodology and the changing value of existing overseas as-
sets. But in China’s case there has long been controversy over whether
the entry might be explained by risky short-term cross-border capital
flows, hot money seeking short-term returns in response to fluctua-
tions in the value of the yuan. That debate has been reignited recently.
Professors Yu Yongding and Xiao Lisheng, both of the Chinese
Academy of Social Sciences, have repeatedly argued China’s record
of this entry has not only stayed much greater than the international
standard, but has also followed the movement of the yuan’s foreign
exchange rate over the years. They say this signals hot money inflows
when the yuan is strong, and outflows when the yuan is weak. As
a result, the lecturers argue China has faced severe capital flight for
the past two years. Guan Tao, former director of the Balance of Pay-
ments Department at SAFE, disagrees. In an article on China Finance
Forum 40 website on August 16, he said labelling this large negative
figure over 2015 and 2016 as “capital flight” was a “moral judgement”
which made little policy sense. In an interview published September
4, Yu told the China Securities Journal, that capital flight was generally
illegal capital outflow in markets with capital controls.

Indeed, China has always been wary of the movement of hot mon-
ey, which has had a significant impact on the movement of the yuan,
and on domestic monetary policy. The country tried to keep hot
money off at the time of the yuan’s strong appreciation and tighten
capital outflow rules at the time of the yuan’s sharp depreciation.
Internationally, it is widely accepted that speculative hot money was one of
the major contributors to financial crises that have hit emerging
markets from Asia to Latin America.

Cat-and-Mouse

Despite differences of opinion, there is convergence among Chi-
nese officials and analysts on the reality that China faced severe capi-
tal outflows, particularly short-term outflows, in 2015 and 2016, in
comparison with the enormous capital inflows in previous years.

There are various means by which Chinese citizens and companies
can buy foreign currencies and take their money out of China, both
legal and illegal. For example, foreign-funded companies in China
take the profits of their China operations back to their home coun-
tries. Chinese students and tourists spend money overseas. Chinese
investors build factories, or buy assets on overseas markets, including
real estate, companies and portfolios. Chinese borrowers repay their
foreign debts in US dollars. Criminals launder money. Underground
transfer operators squirrel cash offshore. Chinese foreign traders may
overinvoice their imports and underinvoice their exports to keep
more US dollars at hand. They may also fake import contracts to
apply for foreign exchanges at banks. Some Chinese companies use
their domestic assets as a guarantee for loans of their overseas financ-
ing platforms. Defaulting on these platforms triggers the transfer of
domestic guarantees to the overseas banks that have lent them the
money.

Even using legal channels, it is often difficult to spot disguised
methods of capital flight by circumventing capital control rules. For
example, a Chinese citizen is allowed to exchange up to US$50,000
a year in foreign currencies. “That is far from enough to buy a house
in, say, the US, Canada or the UK. This buyer might ask their fam-
ily, relatives and friends to buy dollars using their own quotas. The
money is then collected and transferred to the overseas account of the
buyer. SAFE penned a rule in 2009 to curb this incremental method
of transferring money. In September 2015 when the yuan was in a
period of sharp depreciation, SAFE required banks to check more
carefully transactions that indicate such abuse of quotas, including,
for example, frequent remittances by several people to the same over-
seas account within a certain period of time. In March 2017, SAFE
disclosed on its website two cases in which two persons were fined for
using this trick. It has also found that some payments made by Chi-
nese tourists during their overseas travels were not for travel expendi-
ture, but financial investment. SAFE revised the figures accordingly.
The money involved is huge. A June discussion paper by Anna Wong
of the US Board of Governors of the Federal Reserve System says this
makes China’s travel deficit 0.9 percent of GDP smaller every year in
the period 2014-2016. Since January 2017, Chinese travellers have
had to provide more details on their purposes of exchanging foreign
currency at banks. SAFE also declared in early August that it would
strengthen reviews of offshore borrowing with onshore guarantees.

Anomalies in overseas investment by Chinese companies have at-
tracted more attention from regulators since the end of 2016. In No-
vember and December of last year, four ministries responsible for for-
eign investment and foreign exchange made joint statements warning
against “irrational outbound investment” in real estate, hotels, cin-
emas, entertainment and sport clubs, the five sectors that have been
on the State Council’s recent restriction list. Other risks involving
overseas expansions included deals where companies invested signifi-
cantly in sectors outside their core business, acquired offshore opera-
tions much bigger than their onshore parent companies and launched
aggressive overseas expansions immediately after they set up onshore.
The ministries said companies applying for approval of large overseas
investments would be put under stricter scrutiny on the incentives
and compliance of their behaviours.

‘Thorny Rose’
Regulators say some of these deals have murky incentives and du-
bious prospects. In his speech at the China Development Forum in
Beijing on March 20, Pan Gongsheng questioned the acquisition of
foreign food companies by Chinese steel makers, and foreign online
game developers by Chinese catering operators. “Many companies
have borrowed a lot for their overseas acquisitions, despite their al-
ready high debt ratios. Some just use overseas investments as a surrep-
titious way of transferring assets,” Pan was quoted as saying by China
Securities Journal. In his article in May, he described overseas invest-
ment as a “thorny rose” which looks beautiful but could hurt if not
handled carefully.

In June and August 2016, two Chinese companies bought con-
trolling stakes in two iconic Italian football clubs, Inter Milan and
AC Milan. The first buyer was Suning, a Chinese retail group, and
the second was a new company founded just a few months earlier.
Inter Milan has been haemorrhaging money for several years, and AC
Milan was heavily in debt when the agreements were reached. Besides
Wanda, Anbang, an insurer, Hainan Airlines and Fosun Group made
diverse mega-deals, including real estate and hotels. Their financial
positions have been repeatedly questioned by the media. In an in-
terview with China’s State broadcaster China Central Television on
July 18, Ying Zhongli, a finance and banking expert at the Chinese
Academy of Social Sciences said the main concern was that once their
overseas operations failed, the money they had borrowed from banks
for these acquisitions would sour, risking the financial security of the
Chinese state.

Guan Tao has explained in his “no moral judgement” argument
that it is much more feasible to focus on recorded, traceable capital
outflows through trade and direct investment, than to focus on un-
known deals under the “net errors and emissions” entry, in efforts to
curb capital flight. Data from China’s Ministry of Commerce shows
that China’s overseas investment was down 46 percent year on year in
the first half of the year. The decrease hit 82 percent in the real
estate sector, and 83 percent in the cultural, sport and entertainment sector. This has been attributed to efforts to curb “irrational overseas investment,” as well as improved domestic business opportunities and growing vigilance against Chinese bidders on the overseas markets.

**Concerns and Controversies**

There are other reasons why China may have tightened supervision of outbound FDI. Officials with the Commerce Ministry, SAFE and the National Development and Reform Commission have repeatedly stressed since the end of 2016 that “irrational overseas investment” in those five sectors would not contribute to China’s industrial development. They have made clear that investment in the so-called real economy, such as in infrastructure, high-end manufacturing and resources, and in Belt and Road markets, would be encouraged. The Ministry of Commerce disclosed recently that the decline in overseas investment in those areas was slight.

The Rhodium Group, a US consultancy, also found that Chinese companies’ mergers and acquisitions in basic materials, energy and high-tech industry were more “resilient” after stricter scrutiny. “Private firms still seem to be better able get government approval for outbound transactions that boost their innovation capacity (or those that are in line with Beijing’s industrial policy goals),” it said in a June report.

Li Qin, a Chinese lawyer at an Indian law firm in New Delhi, told ChinaReport that this year their Chinese clients have successfully completed the acquisition of Indian companies in the electronic and mechanical sector, with no problem paying in foreign currencies. He believes investment in the real economy will not be affected by stricter capital controls.

However, the measures on more scrutiny of overseas investment have aroused concerns over China’s financial openness. Pan Gongsheng stressed in his article that the “open windows would not be closed again.” He said existing channels of two-way securities investment between the Chinese mainland and the overseas markets would remain intact. Guo Song of SAFE’s Capital Account Management Department reiterated in an article for Caixin on August 24 that policies issued in recent years to streamline the process by which Chinese companies applied for foreign exchanges would not change. The principle was to find a balance between investment facilitation and risk prevention, he said.

Meanwhile, Professor Yu has been advocating a floating exchange rate system which would leave the value of the yuan fully up to market forces. As the world’s second largest economy, China is in a better economic and financial position than any other country to adopt the floating exchange rate system, Yu says. He believes recent improvements in China’s economic growth, international payments and expectation for the yuan have combined to deliver a good opportunity for China to do so. While agreeing that stricter scrutiny over cross-border mega-deals is necessary and effective, he said stricter controls were a “double edged sword” which made normal transactions more complex than usual. He stressed that a floating system was a much better choice than capital controls to affect capital flows.

There is still strong enthusiasm among Chinese investors to go abroad. Wu Pengfei, a young man who recently co-founded a private equity company in Beijing, told ChinaReport he was looking forward to trading on the Indian stock market, which had been booming for several years. He said his potential clients would be Chinese investors seeking good returns on their money in offshore accounts. The Rhodium Group found Chinese overseas investment rebounded in May and June after a sharp fall in the first quarter of the year.

Like the reasons for the Chinese government to strengthen the scrutiny of capital outflows, incentives for Chinese investors to go abroad are diverse. They are tapping more and better business opportunities, or building international brands. Besides, barriers to private investment, including limited market access and difficulty winning financing, have yet to be addressed to fulfill the government’s commitment to stabilise the expectations of entrepreneurs for investing more on the home market. The central bank has also repeatedly recognised that “economic fundamentals” are the key to the currency’s value.

Given this, the strict scrutiny over outbound FDI is not likely to be relaxed even after the yuan has rebounded robustly this year. But stricter scrutiny cannot shape investors’ confidence in the yuan’s value, or in the market. A better business environment is more important.
“Ge You slouch,” one of the Top 10 Chinese memes of 2016, is a favourite of Sangu youth, made of a screenshot of 1993 comedy sitcom ‘I Love My Family,’ in which the famous actor Ge You plays an idle, middle-aged man who glues himself 24/7 to a couch.
Why not have a “My Ex-boyfriend is Doing Better than Me Black Tea?” suggests a sign at Orz Cha, a pop-up tea shop that opened in Shanghai in late April. Orz Cha, or Sang Cha in Chinese, which can be translated as “Life Sucks Tea,” instantly saw long lines form outside and generated a buzz on social media due to its eccentric menu. Among other drinks, visitors could choose from an oolong macchiato called “You are Not a Loser Who Owns Nothing, At Least You Have a Mental Illness,” a black tea called “Come On, You Are the Fattest,” and a green tea called “Work Overtime With No Hope of a Pay Rise.”

Orz Cha has proved a huge success. Three months after the first pop-up shop closed, (it was only ever meant to open for four days), more than a dozen shops had mushroomed in cities like Beijing, Chongqing, Shenzhen and Jinhua.

Life Sucks Tea is just one of many embodiments of sang or “demotivational” culture. Sang, which literally means loss or deprivation, now describes a mentality of idleness, depression, apathy and lack of self-motivation. In recent years, sang culture has become an increasingly prominent life attitude and cultural phenomenon among young Chinese, especially the “post-90s” – those who were born in the 1990s. Behind the self-deprecating black humour lies a bitter truth: as economic growth slows, the country’s youth finds traditional notions of success increasingly unattainable.

**Sang Epidemic**

In Orz Cha, the idea of sang has been amplified and the tea transformed into a medium of sang culture.

“A teashop that makes tea from tears. Drink up this cup of sang.” is how Orz Cha introduces itself to every customer who enters the shop. Its staff, who are required “not to wear a smile,” even caution their customers in advance that their products might be too sang to be tasty. Among its weird selection, “Kill Time and Wait to Die Green Tea” is the most popular drink.

On its website, the brand uses a popular saying as its slogan: “The salted fish will have its day to turn over, but after that it is still a salted fish.” The phrase, more like a self-mocking joke, means that no matter how hard the unprivileged struggle to change their fate, in the end they will just find that their attempt was futile.

“Orz Cha is not about selling tea. It’s a kind of emotional consumption,” the chief founder of the Orz Cha brand, Xiang Huanzhong, told ChinaReport. “After drinking too much self-motivational ‘chicken soup’ [self-help literature], one day we find that those saccharine words do not work at all when it comes to real pressures in life. Life Sucks Tea, with a dose of sharp-tongued humour, is a better choice for us to vent our emotions,” states Orz Cha’s website.

Yet Orz Cha is just a drop in the ocean of the sang epidemic that is spreading among young urban Chinese.

Internet memes that represent hopelessness, depression and inaction have gone viral on social media. “Ge You slouch,” a social media sticker made of a screenshot from the 1990s sitcom “I Love My Family”, is a favourite of young netizens. The famous comedy actor Ge You plays a middle-aged scam artist. After the family on the programme invites him to their house, the freeloader glues himself to a couch 24/7, except when having meals. The meme spawned a wave of humourous reinterpretations and imitations online, all describing a state of living without hope. It became one of the Top 10 Chinese memes of 2016.

Chinese sang youngsters also favour foreign negative mascots that evoke depression and idleness, including BoJack Horseman, the self-loathing talking horse in the epony-

**Sang Culture**

Facing the intense pressures of modern life, Chinese youths have begun to embrace ‘sang’ – a culture of loss, idleness and demotivation

By Zhou Tian and Yi Ziyi
mous Netflix animated comedy, Gudetama or “Lazy Egg,” a Japanese cartoon egg yolk who feels existence is almost unbearable, and the recently-deceased Pepe the Frog. Although Pepe the Frog has been added to a list of hate symbols after being appropriated by the alt-right movement in the US, Chinese users see him merely as an apolitical symbol of sadness, melancholy and fun.

A great many Japanese novels, manga, films and dramas that evoke similar emotions resonate with sang youngsters. Takumi Tani-guchi, the protagonist of 2015 Japanese drama “Dating: What’s It Like to Be in Love,” is an embodiment of idle living. He is 35 years old and unemployed. He graduated from university but spends his days reading books and listening to music. He’s not interested in finding a job, dating or getting married. His life is entirely supported by his working mother, and his dream is to “be dependent on someone forever.” Such an extreme life attitude makes the character an icon of sang culture.

As soon as sang made its way into popular culture, it also became a marketing trend to opportunistically combine sang with consumer products. Orz Cha is not the first to try it. Last year, the Taiwanese milk tea brand Moonleaf created a set of drinks with humourous and existential messages on the packaging. “Good things should be shared with friends. Shit, I forgot I don’t have any friends,” and “You work so hard but no one sees it, just like us making such good black tea but you don’t have a good enough sense of taste.” are printed on teacup lids.

The country’s older generations and authorities were not prepared for the slacker movement. On August 17, the Party-run People’s Daily published a commentary that cautioned young Chinese to “stay away from the opium of demotivational culture.” It claims “ideological opium will numb young Chinese and lead them astray.”

‘Little But Certain Sang’

Sang culture has evolved as a counter force to Xiaoquexing, “little but certain happiness,” a once prominent notion favoured by young netizens and the media. Originally coined by Japanese novelist Haruki Murakami, the concept encourages people to enjoy happiness from the small, wholesome things in life. For instance, “to have a cold beer after a hard workout,” “to jump into a quiet swimming pool in the early morning,” or “to enjoy the music of Brahms and gaze upon the dappled shape of leaves on a paper window, delineated by the gentle autumn sunlight” in Murakami’s words.

Now young Chinese people have employed a little wordplay and changed the term into “little but certain sang” – xiaoquesang instead of xiaoquexing. Sang youths often utter “You demand I be optimistic, but I just can’t fake a smile,” or “I know I’m wasting my life, but I just don’t want to stop.”

Psychological consultant Li Guocui launched an online discussion group called “Sang Patient Aid Group” on WeChat, the ubiquitous Chinese messaging app.

“They have jobs. But most don’t feel fulfilled by their work. They are always troubled by an acute sense of helplessness. They think they should do something but they just can’t bring themselves to take action. The inner conflict makes them very self-accusatory and sarcastic,” is how Li described the post-90s sang youngsters to ChinaReport.

According to Li’s observations, most of the group members who identify themselves as sang youths are post-90s unmarried singles living alone in big cities far away from their hometowns. There is a new term to describe this group of people: “Empty-nest youths.”

A wide-ranging report released by the leading e-commerce platform Taobao on May 3, 2017 reveals that there are more than 50 million “empty nest youths” aged 20 to 39 in China, with most of them living alone in first-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen.

NetEase, a Chinese online portal, surveyed 5,000 young empty nesters, and after looking into the user data from its own news service and from two other social service providers – Tantan and Blued – it issued a report on China’s empty nest youths in May.

According to the survey, 68 percent of young empty-nesters say they have felt lonely in the past week, and only 14 percent say...
they never feel empty. Eighty-two percent of surveyed youths feel anxious about their future, and more than 30 percent of them earn a monthly salary under 5,000 yuan (US$758).

From Li Guocui’s perspective, these lonely, indoorsy, anxious young people are the main upholders of sang culture. “People who have companions to give them emotional solace are comparatively less likely to be sang. Young empty nesters, however, lack companionship in life, so they don’t have an outlet to vent their emotions,” Li said.

**Mild Protest**

Sang culture does not only exclusively exist in China. Many critics have pointed out contemporary sang culture in China has similarities with the hipsters in the Western world and the Otaku culture in Japan, in which people are obsessed with certain interests and tend to stay at home.

Zeng Yuli, an expert on youth culture, elaborates on the similarity between China’s contemporary sang culture and Japanese youth culture since the 1990s. In his article “Sang Culture: Youth’s Mild Rebellion Against the World,” which was published on Shanghai-based news site The Paper on April 1, 2017, Zeng pointed out that young people do not choose to be sang, but have no alternatives.

Zeng adopts the notion “karyū shakai” (low-stream society), which was put forward by the Japanese sociologist Atsushi Miura in his book Karyū Shakai. The word “karyū” refers to individuals whose communication skills, life skills, passion for work, motivation to learn and consumer desires are lower than those of others. As Miura states, people are deprived of motivation for life, not because they are not interested in success, but there is no way for them to climb the social ladder in a rigid society that lacks social mobility. The disillusionment, as Miura indicates, is a product of Japan’s sluggish economy since the financial crisis of the early 1990s.

As China’s economic growth slowed from double-digit increases to 6.7 percent growth in 2016, issues around social mobility have become increasingly severe. More and more young Chinese people realise that they are not simply falling behind, but are in danger of dropping out of the race.

“Behind sang is the youth community’s spiritual outcry during the transitional period of Chinese society,” Du Junfei, a professor at the School of Journalism & Communication at Nanjing University, points out in the article “Sang Culture: From Learnt Helplessness to Self-Irony.”

Apparently, the standard of living of the contemporary young generation in China far exceeds that of older generations. Nevertheless, since they have grown up during a transitional period in society, the unprecedented cruelty of social competition they are facing is beyond the experience of previous generations. Their anxiety is incomparable. When they are knocked by the truth of reality after graduation, they find there’s no chance for them to wrestle with life,” Du wrote.

To analyze the sang mentality of youths, Du put forward a psychological notion “learned helplessness,” proposed by the American psychologist Martin Seligman in 1967. According to the theory, if an individual is repeatedly subjected to an inescapable aversive stimulus, when the individual encounters the stimulus again he or she will stop trying to avoid it and behave as if he or she is utterly helpless to change or escape from the situation. This inaction can lead people to overlook opportunities for relief or change.

Surging housing prices, suffocating jobs, the deteriorating environment, a materialistic marriage market, unaffordable childrearing and the burden of being an only child taking care of two parents: such daunting pressures have struck a great number of young Chinese. They have come to realise that the traditional notion of success – earning big bucks, owning a house, a car, having a hukou (residence permit) of a big city, marrying quickly and having a kid, seems increasingly unattainable.

Du sees sang culture as a “mild protest” of China’s young people against an increasingly stratified society, and a coping mechanism they use to alleviate stress. To avoid being judged by others, they choose to stunt themselves first: “I already admit I am a loser. So what else you want me to do?”

“Sang youths do not really identify themselves with hopeless screw-ups. They exaggerate the sense of loss and depression so as to decrease the impact they feel about the gap between idealism and life,” Du says.

“We are mocking our own weaknesses, using a self-deprecating means to vent our emotions,” self-proclaimed sang youngster Tian Kele, 20, told our reporter. “And in this way can we reconcile ourselves with our failure and inabilities. As the negative energy is let off, we may find life still goes on. After all, the sun will set today and rise again tomorrow.”

“Nobody can drink sang tea their entire life. It’s a mockery. We are really quite sensible,” Tian added. ★
Chinese Language Matters

China’s outward promotion of its language and culture coincides with a growing demand in the UK and other parts of the world

By Judy Yang and Shirong Chen

The future King of England is learning Mandarin Chinese. The language classes were among young Prince George’s lessons when he began his schooling in September, according to reports. (In February, when the British Prime Minister sent a video greeting on the eve of the Chinese New Year, she clearly made an effort to conclude her greetings in Chinese.)

A day earlier, Kensington Wade School officially opened its door to a small group of pupils too. But it’s not a school you can find elsewhere in England; it’s the first prep school in Europe that offers a bilingual English-Chinese education, adopting an immersion education method to teach language, giving equal exposure of English and Chinese to its young cohorts.

According to its founder, Professor Hugo de Baugh, the school’s curriculum incorporates successful educational practices in the UK and China so that the pupils get exposure to Chinese language and culture at an early age.

A similar methodology is advocated by Bohunt School, a state school where immersion language teaching (Content and Language Integrated Learning) is introduced to teach one third of their curriculum in the target languages including Mandarin. Inspired by their participation in an experiment for BBC’s documentary ‘Are Our Kids Tough Enough? Chinese School’, Bohunt School has also decided to use Chinese Maths methods to teach the Maths lesson in Mandarin.

This is only part of the story. Mandarin Chinese is booming in other places in the UK as well. The number of student entries for foreign languages at schools have fallen by roughly 8 per cent compared to last year. Contrary to the declining trend of foreign language, GCSE Mandarin has seen a 40 per cent increase in student entries in the last seven years. According to Language Trends 2016/17 by the British Council, Mandarin Chinese has surpassed Arabic to become the top four among the options of foreign languages taught in English schools.

Of course, Chinese language teaching is not new in the UK. It was one of the first western European countries that set up university degree programmes in Chinese language and/or culture, and one of the earliest countries where after-class tutoring in Chinese was available. Recently, Chinese language learning and teaching have been developing alongside the rise of Chinese economy and the numerous socio-cultural links between the UK and China. Now 80% of British universities offer Chinese classes in various forms, and the number of Chinese learners has been increasing. The last twenty years have witnessed a shift of adult learners’ motivation from pure interest in culture to pragmatic purposes such as business and profession.

The Confucius Institute has played a key role in teaching Chinese language and supporting inter-cultural communication in the UK. The UK ranks first among all European countries in terms of the quantity of Confucius Institute centres. Cooperating with local universities and schools, 29 Confucius Institute centres and 143 Confucius Classrooms have been established in Great Britain.

Besides schools and higher education institutes, the British government also attaches great importance to Chinese language learning in the state education system. Given China’s huge impact on the UK economy and the low proportion of British adults who can converse in Mandarin Chinese, the UK government and other official organisations are leading efforts to promote Chinese based on considerations for the future. The British government promises to put £10 million of funding into the “Mandarin Excellence Programme,” aiming at educating at least 5,000 school pupils to become fluent in Mandarin upon programme completion in 2020.

However, a shortage of textbooks tailored to local contexts and qualified Chinese teachers makes it difficult to meet the increasing needs of Chinese learners. This issue of teacher supply has been recognised by IOE Confucius Institute for Schools, and the institute has been actively involved in training Chinese teachers to be qualified to teach in mainstream schools.

Although it remains unclear whether the promotion of Chinese language and culture in the UK contributes to a better mutual understanding, all the parties that are involved in the business lay a solid foundation for the sustainability of Chinese language teaching in the future.

Textbooks and teaching materials are of significance both to students with strong motivation and to less motivated students. Most recently, led by the UK government’s Department for Education, the exam boards such as AQA and Edexcel have been improving the curriculum for GCSE Chinese, which will have an impact on the pupils who want to take GCSE Mandarin.

For the moment, the Chinese learners who take qualification exams only have two lessons a week, for three hours each lesson. Because
they are goal-oriented and better motivated to achieve high marks, the students have higher standards of teacher and teaching materials.

Nevertheless, most course books cannot meet students and teachers' needs, so teachers have to prepare supplementary materials, according to a sample survey conducted in the Annual Chinese Teaching Conference by the Institute of Education Confucius Institute for Schools (also known as IOE Conference).

In the meantime, less motivated students in independent schools should be taken care of, because they will give up on learning once they lose interest in the subject, noted by Professor George Zhang, Director of Centre for Modern Languages in Richmond University. For example, currently there are only 4 per cent of primary schools in England that offer Chinese courses, much lower than the number of schools offering French or German. The pupils learning Chinese in primary schools usually come from middle-class families, and their parents make the decision for them. Therefore, the pupils rely much on the entertaining multimedia resources as they are not self-motivated to learn the language.

Teacher training and pedagogy development are of strategic importance for long-term development of language teaching. The prevalent pedagogical method in secondary schools is communicative approach as the immersive approach is not feasible in many UK schools considering the time required. During the classes with a communicative approach, pupils work in a group and learn through activities which are more than one-way teaching and copying characters. It is the characters that make the Chinese language different from European languages. Although there are various ways to facilitate teaching, the problem of how to get the characters into students' heads remains unsolved, as suggested by Katharine Carruthers, Director of IOE Confucius Institute for Schools. To meet the needs of qualified teachers, the IOE Confucius Institute focuses on training Chinese teachers, including the trainings of pedagogical approach and PGCE. The teachers trained by IOE Confucius Institute will teach in mainstream schools.

Hanban, the Confucius Institute Headquarter, is also making efforts to support Mandarin teaching in the UK, as it does in other parts of the world. Chen Tongdu, Director of Hanban's Representative office in the UK, told ChinaReport that currently there were around 350 temporary staff from China, comprising China directors, government-sponsored teachers, and volunteering teachers providing on-site support here in the UK. Each year, Confucius Institute organises training activities in winter months for these volunteers. The teachers who train the new coming volunteers include local teachers, Chinese Bridge candidates and other seasoned teachers.

Long before the establishment of Hanban, community-run schools started to teach Cantonese and traditional Chinese characters in Britain. Since Hong Kong Handover in July 1997, some local Chinese schools started offering Mandarin. They not only taught the language but also introduced Chinese culture and philosophy.

Mr. Wu Shaxiong MBE, the president of British Chinese Education Association, explains that Chinese culture is an integrated part of the world culture, so it is of importance to cooperate with various parties such as mainstream schools to promote and share Chinese culture.

Behind the popularity of the Chinese language, another driving force is pragmatism that has come about with the rise of economic and political status for China. Back in the 1990s, most Chinese learners study Chinese out of interests in culture, language, philosophy or religion instead of business or profession. Things have changed in the last decade or so. As noted by Professor Zhang, there are three main motivations of Chinese adult learners: for business or other pragmatic purposes, cross-cultural marriage and self-challenge. This may be the reason why Chinese language courses have often been taken as an elective or a minor subject for the last ten years, rather than a major of a degree programme, despite its long history in British universities.

Yet a language cannot be separated from its cultural origin. “Confucius Institute plays a key role in meeting the needs of learning Chinese and getting to know Chinese culture in the UK and Europe”, as Mr. Chen put it. The UK is home to 29 Confucius Institutes and 143 Confucius Classrooms, with 150 thousand enrolled Chinese learners. The Confucius Institutes have different emphasis, such as business (London School of Economics and Political Science, University of Leeds, Heriot-Watt University), traditional dance (Goldsmith University), and publishing (Oxford Brookes University). Dr. Lu Hong OBE, the deputy director of Confucius Institute for Business in LSE, summarised the offerings of Confucius Institute: academic seminar in universities, and the popularisation of Chinese culture based on national curriculum of schools; Chinese language teaching; activities celebrating Chinese traditional festival such as Mid-Autumn festival, Spring Festival, and Dragon Boat Festival. In addition to the events above, Confucius Institute also organises workshops in various fields including Chinese food, calligraphy, traditional dance, the art of war and martial art. These activities feature an integration of Chinese culture and Chinese language, and the participants can experience authentic Chinese culture.

As with many social phenomena, popularity of the Chinese language depends on the esteem or brand value of the ‘home culture’. How to sustain the rise in demand will be the focus of attention in the near future.
Brain Gain

Chongqing, a metropolis in southwest China and an inland pioneer for the country’s opening-up, looks set to become a rising destination for talent amid its effort to attract skilled and experienced professionals.

From September 9th to 10th, the 2017 Chongqing International Talent Innovation and Entrepreneurship Conference was held at the Yuelai International Convention Centre in Chongqing. The two-day event attracted more than a thousand prospective job hunters from home and abroad, as well as 179 employers across Chongqing city, offering more than 3,000 job openings, including 1,146 ones that urgently needed to be filled.

The conference saw the signing of 31 projects right there on the spot, as well as the arrival of 20 high-level potential employees from abroad, from the US, Brazil and South Korea among other countries. During the event, 781 job seekers also reached preliminary agreements with 179 prospective employers, including some which have made their way to Fortune's Global 500 companies list.

With the theme of “talent-led innovation and entrepreneurship,” the 2017 event was aimed at attracting outstanding talent and teams and projects, as well as building a well-known brand for Chongqing’s talent-courting effort.

Nearly 60 percent of the job seekers were doctorate candidates or above, and 73 percent of them had overseas study or research experience, mostly in 24 developed and talent-rich countries and regions, such as the US, Canada, UK and Australia. Their areas of speciality included information technology, biomedicine, manufacturing and new energy.

This year’s conference, the third since its creation in 2015, has added new activities to its portfolio, that is, a communication meeting for invited guests, a symposium for innovation teams and employers, and an exhibition on the improvement of the talent-friendly environment and achievements of the city’s innovation and entrepreneurship endeavours.

This year’s event is, above all, characterised by a variety of activities, with themed lectures, symposiums, as well as exhibitions on Chongqing’s talent-friendly policies, and achievements in the city’s on-going innovation and entrepreneurship effort, said Zhang Yide, director of the Talent Work Section under the CPC of Chongqing Municipal Committee.

Zhang also added, another highlight of this year’s conference is the adoption of multimedia tools to boost its profile both online and offline. The organiser provided news and information of the event on social media. It has also produced feature-length and short videos that have been published on domestic and overseas media outlets.

**Competition Intensifies**

A key activity of this year’s International Talent Innovation and Entrepreneurship Conference was the final round of the innovation and entrepreneurial competition. 31 projects made their way to the final competition in Chongqing, covering a wide range of industries, such as high-end equipment manufacturing, artificial intelligence, big data and cultural tourism.

Three finalists were selected from 98 projects that took part in the semi-final competitions, held in July and August in six competition zones across the world, namely three overseas ones (Silicon Valley, Cambridge and Singapore) as well as three domestic ones (Beijing, Shanghai and Shenzhen).

Artificial Intelligence (AI) became a widely sought-after category at this year’s competition, with its significantly strong presence in the projects that were submitted, as well as those which made the way to final stages.

AI has become a battleground of the global tech scene. As a key part of what is dubbed the Third Industrial Revolution, AI has brought hopes for major changes to a wide
range of industries. China has already rolled out the blueprint for the development of AI. With support of the central government, the AI industry is hoped to dominate the tech world in the years to come. Chongqing has put its weight behind developing its innovation, which has laid a solid foundation for the promotion of AI in the city. Officials believe the conference will help attract AI specialists to Chongqing, propelling the development of the sector.

Another notable trend at this year’s competition was a significant rise in R&D projects centring on new materials and new energy. Despite their lengthy development cycles and high investment requirements, the two sectors also promise incalculable long-term economic, social and environmental benefits. Chongqing has put its weight behind fostering these long-term beneficial industries, and the effort has seen preliminary results. In the city’s Liangjiang New Area, for example, the R&D and industry incubation of graphene and silicon materials has already started to bear fruits, which are expected to provide a boost to the local economy. Experts say some of the projects, which involve pollution treatment and R&D on new materials, could potentially help Chongqing strike a balance between development and environmental protection.

Projects that made their way to the final were all selected based on two criteria, namely their representation of state-of-the-art technology, and relatedness to Chongqing’s economic industries, thus making them potential drivers that could propel the city’s future development.

For instance, a project presented at one of the semifinals held in Silicon Valley, with the theme of improving the efficiency and cutting emissions of the diesel fuel injection system, is deemed as a potential boost to Chongqing’s booming auto industry.

At the same time, the competition also came as a promotion of Chongqing’s new developments, as the panel of judges also explained to participants at all competition venues the city’s industry upgrades, valuing of talent and favourable policies for talent and entrepreneurs.

‘Golden Brand’

The Chongqing International Talent Innovation and Entrepreneurship Conference is a key talent recruitment initiative launched by the local government. The previous two sessions, held respectively in 2015 and 2016, attracted a total of 347 talents and 212 projects to take roots in the city, making the event a key platform and a “golden brand” for Chongqing’s effort to attract talent and boost innovation and entrepreneurship.

Drawing on past experiences, this year’s conference focused on connecting talent with projects. The organiser also worked
with overseas talent recruitment agencies to raise its profile abroad. Its effort to lure talent from near and far has enjoyed wide recognition from all sides.

By leveraging this talent recruitment platform, Chongqing is taking solid steps in pushing forward its effort to attract talent from around the world. The conference has become a showcase for the city’s global vision, strategic planning and open stance, providing strategic support for its gathering of high-level talent from home and abroad, and creating a core talent base in west China.

**Thirst for Talent**

With a fast-growing economy, continued improvements in its industrial structure, and the on-going supply side reform, Chongqing has high demand for talent.

In 2017, Chongqing introduced an ambitious talent recruitment initiative. Titled the Swan Goose Plan, it seeks to attract between 1,000 to 2,000 skilled workers from home and abroad; some eligible talent recruited through this programme are entitled to a reward up to twice their annual tax contributions.

The city has also formulated a set of measures to attract qualified overseas returnees, and provide funding support for their innovation and entrepreneurship projects.

Apart from the effort to attract talent from elsewhere, the city is also actively looking to foster local talent. Chongqing Craftsmen 2020 is another major talent endeavour in the city. Through this programme, the local government pledges to improve the innovation mechanism and build a talent-friendly environment, foster high-end talent and provide policy incentives to highly-skilled workers to better serve the city’s key economic fields, such as its pillar industries, strategic emerging industries, services industries and agricultural industries.

As part of the talent plan, Chongqing will foster 2,000 local craftsmen with a global vision and global competitiveness, based on the city’s multi-channel and multi-level international cooperation on key strategies and projects, such as the Belt and Road initiative and the China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity.

In the meantime, the brain gain scheme also seeks to attract 500 high-level skilled talent as well as 5,000 urgently-needed skilled talent from abroad.

Officials say the talent roadmap marks a number of shifts in the government’s talent recruitment effort: companies have now replaced universities and research institutions to become the main recruiters for talent, and market recognition is a more important criterion for talent, who used to be judged based on their education credentials and professional titles.

Another major change is that the plan shows a preference for urgently-needed R&D specialists, instead of experts, lecturers and company executives, who used to be more valued in past talent recruitment initiatives. At the same time, the plan also has a higher level of coordination among Chongqing’s districts and counties, reflecting their various positionings based on the idea of reaching common and differentiated development across the city.

**New Attraction**

Chongqing’s effort to attract talent came amid the escalating war for talent among China’s second- and third-tier cities, against rivals such as Xi’an, Wuhan and Chengdu which are rolling out competitive packages for highly-skilled and experienced professionals, who normally prefer to stay in the country’s more resource-rich first-tier-cities, such as Beijing, Shanghai and Shenzhen, despite the skyrocketing house prices and long daily commutes.

Nevertheless, Chongqing has become a preferred destination for talent: the city has seen impressive economic development in recent years, and has been the quarterly leader multiple times among other provincial regions in terms of GDP growth. A rising economy, a comprehensive range of industries, and the robust support from the local government, have guaranteed development opportunities for businesses and individuals alike.

Apart from all this, Chongqing is a dynamic city with a range of unique attractions: a mild climate, a rich culture and beautiful landscape, as well as a mouth-watering local cuisine, with the hot pot as the most-widely known and enjoyed food.

According to official data, Chongqing’s GDP grew 10.5 percent from a year ago in the first half of this year, with newly-added jobs totaling around 422,000. Its industrial profit rose 23.3 percent on an annual basis during the same period. In the meantime, the city has been a leader in terms of GDP growth among the country’s provincial regions for ten consecutive quarters.

As Chongqing gains pace in its industrial upgrade, its high-tech sector reported a 26.3 percent rise in added value, which represented a 37.4 percent contribution to the growth of industrial added value. At the same time, newly-emerging industries’ added value increased by more than 20 percent year on year, which translates into a nearly 30 percent contribution to the increase in industrial added value.

Towards the end of 2016, Chongqing mapped out a blueprint, which identified a range of emerging industries that will be the focal areas of development for the city in the future, including a range of emerging industries, such as core electronic parts, the Internet of Things, smart devices, new materials, high-end transport equipment, new energy vehicles, biomedicine and green equipment.

Demand for skilled workers will continue to soar in Chongqing, as the city’s economy roars ahead. According to the guidelines compiled by the local government, by 2025, Chongqing is estimated to be in need of around 250,000 highly-skilled workers, including 60,000 R&D specialists, 80,000 technicians and 110,000 skilled workers.★
On the eve of the Beijing Book Fair in late August, the Foreign Language Teaching and Research Press (FLTRP), New Oriental and Hujiang Education signed an agreement to form a UK-based publishing company, Innova Press Limited.

With offices in London and Reading, the main objectives of Innova are to assist students all over the world to prepare for work or study in English, and provide teachers with training and support for all its innovative products. Leveraging the strengths of its shareholders, Innova is also poised to publish high-quality innovative Chinese language teaching materials and materials about China and Chinese culture for the English-speaking audience.

FLTRP, affiliated to Beijing Foreign Studies University, is the largest foreign languages publisher and university press in China. Each year, around 1,000 new titles are published by FLTRP in about 50 different languages. The 38-year-old press has already established a cultural business entity in the UK before forming a Confucius Institute with Oxford Brookes University as co-partner, and has explored the language-learning market in the UK and Europe.

New Oriental, the largest non-State language training institution in China, has been importing UK publishing content for its training materials, and placing Chinese students in European colleges and universities. Hujiang, the other junior partner in the publishing venture, is very successful in providing mobile and online platforms for 150 million language learners from China and abroad.

The idea of establishing a UK-based publishing house originated from the founding of FLTRP (UK) Ltd earlier by Fan Xiaohong, President of FLTRP (UK) and the host of the launch ceremony. As Fan recalled, “Three years ago, I started thinking about the best way to take advantage of FLTRP and to develop our business in the UK and even Europe. It was around that time that I started to picture and plan for a new publishing house.” With the support of Hujiang and New Oriental, the plan has now become reality.

“The FLTRP–New Oriental–Hujiang partnership is a milestone in FLTRP’s quest for innovative cooperation. We three join hands together with an aim to better meet learners’ needs around the world with high-quality ELT and CLT materials, as well as to provide readers with innovative books on China and Chinese culture. We will be dedicated to making Innova a model in the Sino-UK creative industry,” said Cai Jianfeng, President of FLTRP.

Innova will be well-positioned to target global audiences and become a strong platform for further cultural exchanges between the two industries and countries. “We are excited about this partnership with FLTRP and New Oriental, which will provide first-class online learning products and services for the global audience,” said Fu Cairui, President of Hujiang Ed Tech.

“We are proud of our joint efforts with FLTRP and Hujiang in establishing a brand-new publishing company, which will definitely help to enrich New Oriental’s business scope and enhance our reputation on the global stage,” said Yu Minhong, President of New Oriental Group.

He Haoyu, Vice President of FLTRP will be the chair of Innova Press Limited. But the company has appointed three British senior executives to run the new venture. Richard Peacock, an old hand in ELT publishing, will be the President, while Shirong Chen, an experienced media and cultural professional, will serve as Senior Vice President, with special responsibility for CLT and China-related products. And Terry Phillips will be the business development director.

In his acceptance speech, Mr Peacock expressed his confidence in Innova, saying, “We are indeed privileged to be working with such influential and cutting-edge partners. As I believe the Chinese saying goes, all things are difficult before they are easy, and the coming year or two will involve a lot of hard work and many challenges. But with the support and good will of our partners, we are confident that we will achieve our goal of becoming a leading and truly innovative international publisher.”

Hard work and challenges there will be. Hours after the launch of Innova Press, Bloomsbury Publishing, an independent publisher listed on the London Stock Exchange, announced that they are setting up a subsidiary, Bloomsbury China, to take further advantage of China’s rise on the world stage and the increasing global interest in things Chinese.

In such a competitive environment, the Innova Press will have to find truly innovative ways to serve the needs of the new generation of global learners, drawing inspiration from its major shareholder FLTRP to “record human civilisation and bridge different cultures.”
“Will we be enrolled in a better school by renting a house?” asked a parent at a recent meeting on primary school admissions held at a local educational training centre in Guangzhou, Guangdong Province.

It’s the question on every parent’s lips after several large Chinese cities, including Guangzhou and Beijing, released new policies on their residential rental markets that pledged renters will enjoy the same rights as those who own their homes.

The new policy is seen as a response to central government moves to rein in China’s house price surge by developing and promoting a healthier rental market. But with home ownership tied to enrolment in local public schools, what really matters to renters is whether or not their children will have the same chance as those who own a nearby home to be admitted to a decent school in the area.

The answer: probably not. With China’s top schools concentrated in big cities and these schools’ places falling desperately short of demand, experts worry that rather than equalising renters and buyers, the new policies will merely drive up the cost of renting.

Equality of What?

China’s sky-high housing prices have attracted public scorn for years, especially in larger cities such as Beijing and Shanghai where ordinary people cannot afford to buy

An Elusive Dream

With the fierce competition for places at China’s top schools linked to home ownership, efforts to cool the housing market by incentivising renters could stumble at the first hurdle

By Min Jie and Xu Qingqing in Guangzhou

Equality Between Renters and Homeowners
a home even if they save their whole lives. Responding to public complaints, Chinese President Xi Jinping announced at the central government’s annual conference of economic affairs held in December 2016 that “houses are for living in, not for speculating on,” signaling to local governments they should introduce measures to curb housing prices.

In a departure from previous years, when local governments focused on restricting families from buying more than one flat, the focus shifted this year to growing the rental market. Last June, China’s State Council decreed that the nation should place the same importance on the rental market as that on the housing sales market. In July of this year, China’s Ministry of Housing and Urban-Rural Development released a joint plan with eight other ministries to develop the rental market in cities which were seeing more domestic migrants coming than going. It picked 12 pilot sites.

One was the city of Guangzhou, where the local government proposed 12 measures to meet the central government’s target, including increasing land supply, decreasing rental tax, and encouraging real estate developers to create residential complexes zoned for renters only.

Yet, defying the expectations of officials, it was a provision to “grant qualified renters” children the right to enrol at nearby public schools, and ensure equality between renters and homeowners” that attracted the most attention nationwide. Beijing, another pilot city, issued a similar proposal.

The concept of equality between renters and homeowners was the headline of a slew of media and social media reports. Since current school enrolment quotas are bound to an applicants’ hukou (permanent residence permit) and where they live, commentators claimed that the high costs of flats in districts with the best schools would be a thing of the past, and some even speculated that the policy would have the effect of a neutron bomb on the Chinese housing market.

However, many experts and insiders threw cold water on this optimism. Li Tie, head of the China Centre for Urban Development under the National Development and Reform Commission, said the connection between public school admissions and residential buildings could be seen as a kind of “resource exchange” – residents buy an apartment in a good school district in order to access the school. “The policy [of equality between renters and homeowners] just changes the form of ‘exchange,’” he said. “Sales are replaced by rent, the price of which I believe will soar.”

One teacher at the afore-mentioned educational training centre was more direct: “It is impossible to be enrolled in a good school [by renting a house],” he told ChinaReport. “If you are lucky, your child may be enrolled in a second-tier school.”

“I don’t think that the policy has much to do with renters. It is more related to landlords, instead,” he added.

Order of Priority

According to Wang Minghui, a primary education director at the local education bureau of Tianhe district, Guangzhou, trying to even the playing field for renters and buyers is not a new idea. “I don’t think the ‘equality’ policy is of any meaning to us,” he told ChinaReport. “We don’t want to discriminate against them [renters], but we have to deal with the shortage of education resources.”

Wang said the children of renters had a chance of enrolling in their nearby school of choice as long as they had a Guangzhou residence permit, but if the schools were full they had to join a waiting list behind those whose parents or grandparents had bought an apartment in the district. “Whether or not a renter’s child will be admitted depends on whether or not the target school has enough positions. If they don’t, the child will be assigned to another school within three kilometres, allocated by computer,” he explained.

In fact, it’s common practice in big cities like Guangzhou and Beijing to prioritise applicants in the same way when schools in one district cannot take all of the children – those who hold a hukou and whose parents own a flat in the district are always put first, followed by those who hold a hukou but have no apartment in the district, and while those who have neither a hukou nor an apartment languish at the end of the line.

Several years ago, Guangzhou and Beijing launched a “bonus system” for domestic migrants. These schemes see applicants allocated points based on the location of their companies and homes, their educational background, and their social insurance payments. Applicants are granted a residence permit when their points reach the required level. However, such permits remain inferior to a hukou and owning an apartment is worth many points under the scheme.

The latest plans from Guangzhou and Beijing require “qualified renters” to enjoy the same rights as homeowners, and set restrictions on the number of domestic migrants who will be given residence permits. But this does not mean renters will be given the same priority as house owners.

Scarce Resources

The priority system is a function of the significant education resource deficit in China’s major cities. Wang Minghui told ChinaReport that in order to accommodate the growing number of school-age children, his district of Tianhe has exhausted all options trying to increase the number of positions.

“Tianfu Road Primary School, for example, has expanded from the planned 24 classes to 40, and the teachers have to work in temporary offices built outside the school,” Wang said. “Another primary school [in our district] has to dismiss the students in batches after class to prevent traffic jams.”

“Nearly all of our public schools are over-
burdened, so we cannot create any more positions without building new schools or buying places from private schools,” he continued, revealing that Tianhe planned to move five secondary schools to suburban areas to make room for new primary schools.

“That’s why we are reluctant to loosen the restrictions on applicants,” he said. “We have to prioritise them.”

Wang’s account was backed up by Cai He, a top sociology researcher at Sun Yat-sen University who sits on the Guangzhou City Committee of the Chinese People’s Political Consultative Conference (CPPCC). He told ChinaReport that during his investigation of primary school admissions in Guangdong Province, he found that far fewer migrant children were admitted to their local public schools in big cities than in smaller cities.

“In small cities where public schools have a surplus of positions, migrant children are not abandoned even though there is no ‘equality’ policy, while in large cities like Guangzhou, it will take time to place all school children whether or not there’s a new policy,” he said.

Positions at good schools are even scarcer. For example, Shenzhen’s priority system goes so far as to detail the specific time an applicant purchased their local flat. In order to give their children top priority, parents in Beijing have hiked up apartment prices near the best-ranking schools to two or three times that of other areas. Media reports said good schools in big cities could hardly place children whose grandparents already owned a flat in the district (who are ranked after those whose parents own a local flat), leaving renters and migrant children out in the cold.

“I think the ‘equality’ policy aims to ensure ‘everyone has food to eat,’ rather than ‘everyone will eat [luxurious] abalone or shark fin,’” Qi Junjie, a well-known economics commentator said on his social media channel. “People who are hungry now just want to be fed first.”

Butterfly Effect

According to sociologist Cai He, another reason local governments are reluctant to loosen the restrictions on the ability of migrant children to access nearby public schools is that they worry a relaxed policy will increase demand and further burden their districts. In bigger cities, the best schools are generally concentrated in one or two districts.

Zhou Feng is director of a Guangzhou real estate research institute run by Homelink, a leading Chinese Chinese estate agent. He revealed that in the Dongshankou area of Yuexiu district, home to a large proportion of Guangzhou’s top-ranked schools, house prices have climbed to more than 70,000 yuan (US$10,650) per square metre more than 3.5 times Guangzhou’s average house price based on China Real Estate Association’s 2016 statistics – regardless of how shabby, run down or old the houses were.

“How could people who only spend several thousand yuan to rent a house enjoy the same rights as those who have spent millions? Even if the Ministry of Education agrees, we parents don’t,” Cao Gang, who is planning to buy an apartment near a good school in Beijing for his six-year-old daughter, told ChinaReport.

Truth be told, conflicts have already occurred between locals and migrant people as a result of education stress. With increased media coverage of the plight of migrant children in big cities, many Beijing locals have complained that too many outsiders have grabbed their resources, and said they were not willing to send their children to schools that service migrants.

Earlier this month, renters and homeowners in a building in Shenzhen reportedly fought over the public resources of the building, including access to parks and parking lots. While owners said they had spent more money in the building and should have priority access, renters argued that since they rented their flats from the government they should have the same rights to enjoy the common resources.

After Beijing’s “equality” policy was issued, a local netizen posted on a popular internet bulletin board where parents discuss education issues, asking local landlords to increase rents. “We should not allow outsiders to seize our resources,” said the post. Although the author was criticised, some netizens saw his
rallying cry as pragmatic.

“I cannot decide on my rent before detailed rules are issued,” Guangzhou landlord Wang Xia told ChinaReport. “I believe any landlord would charge additional fees if their renter wanted to use the enrolment quota bound to the house.”

Her words were echoed by another local landlord, Lu Yang. “Rents will definitely rise,” he said. “If an apartment’s [enrolment] quota is used by the renter, that means their apartment will no longer have access to that quota for five years [according to the local policy], which will decrease the value of the house if the owner wants to sell it within that time period. Of course they will transfer these hidden costs to renters,” he told ChinaReport.

“You cannot imagine what people will do to exploit this policy,” said Wang Hong, head of the School of Professional Development and Research on Primary and Secondary Education at South China Normal University. “I’m worried that new problems would arise if the ‘equality’ policy was implemented amid the huge shortage of education resources,” Wang said. “Even though the government does not wish to drive up rents, how can it control the market?”

“If the government enforces ‘equality,’ how will the schools and their heads find so many positions?” Wang asked. “Any policy will have unpredictable results if it is bound to education … the ‘equality’ policy will bring great difficulties if the government does not provide enough resources and work out supporting measures,” she added.

At the time of writing, neither Beijing nor Guangzhou had released detailed implementation guidelines for the “equality” policy. The education bureau of Guangzhou refused ChinaReport’s requests for an interview and instead directed enquiries to the Guangzhou Housing and Urban-Rural Construction Committee (GHUCC). But speaking on condition of anonymity, a source close to the GHUCC told ChinaReport the “equality” policy had not been proposed or designed by the GHUCC, and that they could not predict any of its possible effects before the local education bureau clarified how it would be implemented.

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Reviews of Business in Contemporary China

Perhaps the most momentous event of our time is Asia’s rise in the world economy. China in particular has become an important engine of economic growth with hundreds of millions there escaping poverty. Roger Philips & Eugene Kim’s Business in Contemporary China thoroughly considers China’s current role in the world’s economy and examines the effect of socio-economic and technological change that will impact China’s developmental trajectory in the future.

- David Ahlstrom, The Chinese University of Hong Kong, China

The authors provide an authoritative and up to date review of the political, economic, social and technological environments of business in China. This might be the best available book for teaching about Chinese business environments on the market today. Topics such as the new normal, the shadow economy, One Belt One Road, the rise of internet companies, land rights and rule of law, among others, are given in-depth analytical treatment. I highly recommend this book to China business researchers and students.

- Ilan Alon, University of Agder, Norway
Real Estate Reform with Chinese Characteristics

One of China’s most experienced real estate experts weighs in on the nation’s mammoth reform effort

By Wang Quanbao and Wang Yaxin
At the central government’s 2017 conference for economic affairs held in December 2016, Chinese President Xi Jinping’s comments about homes being for living in, not for speculating on triggered a nationwide campaign to curb soaring house prices by beefing up the rental market.

But in a nation where most still see home ownership as a prerequisite for marriage, standardising and balancing the housing and rental markets will take time. Gu Yunchang, deputy head of housing policy at China’s Ministry of Housing and Urban-Rural Development, is not optimistic about new measures undertaken by some local governments to reach these aims. Gu, who also heads the National Association of Real Estate Chambers of Commerce, is particularly sceptical of the concept of “equality between renters and homeowners.”

ChinaReport: Some cities have recently announced they will grant renters the same rights as homebuyers. What do you think of that idea?

Gu: Current measures for curbing housing prices focus on developing and promoting the rental market. We have to make clear why we have to do this before we talk about the “equality” policy.

I think developing the rental market aims to improve the supply structure of the real estate market, namely, enabling residents to choose freely whether to buy or rent an apartment. A sound housing system should supply the apartments both for commercial sales and for assisting low-income people. However, the current rental market lags far behind the sales market.

Judging by worldwide practice, a sound rental market can help ease the pressure of buying an apartment – people won’t have to make large down-payments to find somewhere to live. A sound rental market is also a good way to attract outside talent.

CR: Why does China’s rental market remain underdeveloped?

Gu: There are three reasons behind that I think. Firstly, people, especially families who have a young unmarried daughter, still hold the traditional idea that owning an apartment is a must for marriage. Secondly, the chaotic rental market offers no certainty that it can protect the rights and interests of either renters or landlords. Thirdly, rocketing housing prices have brought about a hugely unreasonable price-to-rent ratio. Sales prices are five or 10 times what they were 10 years ago, and house owners would rather stock up on apartments as an investment than rent them, since the profit from selling an apartment is much higher than renting it.

CR: How should we solve the problems?

Gu: To overcome traditional ideas, to protect renters and landlords by standardising the rental market, and to curb soaring housing prices to reduce real estate investment. We cannot bypass the three problems I mentioned earlier if we are trying to house every resident. “Equality between tenants and homeowners” is one way to standardise the rental market that will hasten the market’s development if we also control housing prices.

CR: What’s the logic behind the government’s new measures to develop the rental market?

Gu: Currently, many rental apartments are supplied by State-owned companies under the orders of the government, which define a lot of land as being exclusively for rent before allocating it to these companies. Personally, I think a mature rental market should be dominated by individual or smaller landlords.

I am not optimistic about the “equality” policy being implemented in big cities like Guangzhou and Beijing, since I think the new policy should be based on reform of the hukou system, which is hard to achieve in big cities. [Hukou is a system of permanent residence permits which confer many of a Chinese citizen’s rights, such as medical care, pension access, children’s access to schools and are principally conferred at birth.]

CR: How can we make such reform happen?

Gu: We should first increase rental apartment supply and then standardise the market using legislation.

CR: What does China’s future real estate market look like in your view?

Gu: The future Chinese real estate market is expected to service the maximum number of people, supply commercial and rental apartments for middle-income people and also meet the demands of low-income people. In order words, the market should meet the demands of different stratas of society. That is what we call a supply-side reform.

Meanwhile, given the rising rate of urbanisation, we have to place special emphasis on housing “new citizens.” Specifically, we should distinguish between policies for big and small cities – in big cities where migrants concentrate, we have to supply many more rental apartments than commercial ones, while in small cities, we could focus on the sales market.

I think China’s status quo and the demands of urbanisation will create real room for the development of the real estate market. However, major structural reform is not an overnight task but needs five to 10 years or even longer to realise.

I personally believe that by 2030 we will see a sound Chinese real estate market in which the rental and sales markets develop equally under tailored policies in different cities.★
China’s northeast region, referred to as the “eldest son of the Republic” for being the first region to industrialise, has nowadays become a rust belt thanks to an economic slowdown, over-reliance on State-owned enterprises (SOEs) and the continuous outflow of skilled workers.

In late August 2017, a policy proposal drafted by Peking University’s Centre for New Structural Economics (CNSE) to accelerate the economy of Jilin Province, located in China’s northeast, has divided China’s economists. The landmark Jilin Report, led by economist Justin Yifu Lin, stated that Jilin should develop labour-intensive industries as the first step to revitalising its economy, but ignored the reform of institutional problems, sparking debate among economists and policymakers.

**Industrial Policy**

The three provinces that make up China’s northeast – Heilongjiang, Jilin and Liaoning provinces – were among the first regions in the country to be industrialised, relying largely on heavy and chemical industries, energy resources, raw materials and SOEs. Over the past decade, however, the region has suffered a more drastic economic plight than the rest of the country.

Over the years, the central government has introduced a package of stimulus measures trying to keep the region afloat. In October 2003, the State Council, China’s cabinet, made it a national strategy to revive the northeast by unveiling a series of subsidy measures. In 2007, the National Guidelines on Rejuvenating the Northeast were proposed to revive the region’s economy in a comprehensive way. In 2016 alone, at least three national documents were released to boost the northeast economy. The region’s flagging economy has to date not taken a turn for the better.

Since 2014, the economic growth rate of the region has ranked lowest across the country. From January to June 2017, the growth rate in Liaoning was 2.1 percent, in
Heilongjiang 6.3 percent and in Jilin 6.5 percent, ranking as the bottom three provinces and regions nationwide.

The previous strategy to rejuvenate the northeast, particularly Jilin Province, mainly focused on promoting heavy industry including the automobile and chemical sectors, the pillar industries of the province, while largely ignoring light industry. The Jilin Report, however, offered a different prescription, arguing that the province has great potential and a comparative advantage in developing light industry, and urging the province to improve related infrastructure.

Justin Yifu Lin’s team suggested that the crucial way to address Jilin’s economic plight was to shift from a catch-up strategy that defies comparative advantages to one that plays to the region’s strengths. Jilin’s comparative advantage, according to Lin, is to “develop light industry before vigorously promoting heavy industry.”

Official statistics showed that Jilin’s light industry accounted for 32 percent of its industrial structure in 2015, up from nearly 20 percent in 2003. Lin’s team recommended that Jilin could benefit from its solid heavy-industry infrastructure to accelerate the development of labour-intensive manufacturing of goods, including household appliances, garments and textiles, as an initial step to reviving the economy.

The industrial added value of Jilin’s textile enterprises reached 14.7 billion yuan (US$2.27 billion) in 2016, an increase of 16.1 percent year on year, exceeding that of the energy sector which stood at 12.2 billion yuan (US$1.9 billion). The textile industry has been added to the list of Jilin Province’s top eight key industries.

“Those who still believe that the northeast should adhere to the development of heavy industry, and that coastal areas should stick to light industry, are still living under the planned economy,” said Fu Caihui, one of the report’s authors.

According to the report, the labour cost of labour-intensive sectors based in Jilin is only 30 to 50 percent of that of coastal Jiangsu and Zhejiang provinces and so industries with comparative advantages in Jilin should be labour-intensive. It stated that the province should develop five great industrial clusters such as agriculture, health, textiles, equipment and information technology by receiving industries relocated from provinces of Zhejiang, Jiangsu and Guangdong where light industry is already highly developed.

To date, Jilin’s manufacturing sector has employed only 5.7 percent of the workforce. In Zhejiang Province and the city of Tianjin, the proportion is respectively 40.3 percent and 28.2 percent. The Jilin Report stated that it was very unlikely the heavy industry sector would create jobs in the province, adding that Jilin urgently needed labour-intensive light industry to increase employment.

According to the China Labour Statistical Yearbook 2016, laid-off workers numbered 7.5 million in the three northeastern provinces, accounting for 25 percent of the total nationwide. Because of unemployment and the under-developed light industry and service industry sectors, it stated that many people have to leave the region for southern
China to pursue a living, leading to a heavy outflow of people.

According to data from the Sixth National Population Census in 2010, nearly 2.2 million people had left the region in the decade leading up to 2010. In 2016, Jilin, with a population of over 27 million, registered an outflow of over 200,000 people, including a large number of high-tech staff and skilled workers. As a more specific example, only 18.9 percent of graduates from Jilin University, one of China’s top universities, chose to stay and work in the province.

**Academic Backlash**

When the report was published, it generated heated debate in academic circles and criticisms were poured on to its deliberate avoidance of the northeast’s systemic problems. The controversy focused on whether Jilin should develop its textile industry, whether it would be a cure-all to develop light industry, and whether the industrial policies should be dominated by the government.

Sun Jianbo, a former analyst at China Galaxy Securities, argued that China’s northeast is unfit to become a new labour-intensive hub of light industry because of its weak infrastructure. Moreover, highly-efficient light-industrial production bases have already been constructed and are performing well in several provinces in southern and eastern China.

“A fatal mistake Lin made is to treat Jilin Province and the rest of the northeast as a country. Even as an ‘independent economy,’ there is no logic for Jilin to develop textiles, household appliances and electronics at a time when the world has entered the era of artificial intelligence and China has ushered in the era of bullet trains,” he said.

Tian Guoqiang, director of the School of Economics at Shanghai University of Finance and Economics, said the essence of the debate is whether scholars and government policies should determine the development of specific industries, particularly for emerging industries, or whether the market should take the lead role.

“The *Jilin Report* led by Lin has almost ignored reform and systemic problems. It is hard to achieve sustainable economic growth if we only talk about development and policy, disregarding reform and governance,” he told the *Economic Observer*. “To embrace the market economy, the local government of Jilin has to first redefine their role as an all-powerful economic planner. The imbalance in the economy is only the result, and the undoing lies in the imbalance of the governance system.”

Investment has been playing a crucial role in bolstering the northeast’s economy, but in recent years the region has seen investment steadily decreasing. What’s more, the deeply-rooted concept of the northeast being dominated by heavy industry and SOEs continues to be pervasive, meaning the region is failing to effectively attract private and foreign investment. Official statistics showed that the value of foreign direct investment reached US$2.27 billion in Jilin in 2016, accounting for only 1.8 percent of the national total.

Zhang Shuyu, an economic researcher at the University of International Business and Economics in Beijing, agreed with Professor Tian. He told *ChinaReport* that Jilin’s problem is not the structure of its industries but institutions and culture, and in order to survive the dilemma, eschewing the fatal flaws of unresolved institutional mechanisms is highly urgent. He added that it is difficult to say whether Jilin Province had a comparative advantage in developing certain types of light industry before it actually develops them.

“Rather than a poor province that has never been developed, Jilin is an industrialised and developed region that has lagged behind
over the past decade,” he said. “Its flagging economy largely stems from the dominance of the planned economy, coupled with the over-reliance on SOEs. If the province is unable to cut production and transaction costs to make a better business environment, it will be struggle to develop light industry.”

There is a common saying in Chinese business circles: “Do not invest beyond Shanhaiguan” (a pass between the northeast and Hebei Province to its south). The saying suggests that powerful SOEs, business scams, corruption, constant government interference and policy changes are prevalent in the region, making it difficult for private enterprises to survive and profit.

In the face of such a barrage of criticism, Hui Li, a post-doctoral researcher at CNSE, responded by writing in ChinaReport’s Chinese edition that the report’s findings were proposed based on the natural advantages of Jilin, including its labour force, natural resources and infrastructure, rather than from the perspective of institutional problems, which need to be solved by “continuous reform, but it is unrealistic for industries to be upgraded automatically simply by reforming the system.”

Hui said that economic growth lies in increased productivity, which is attained in two ways. The first is technological innovation in the existing industries, and the second is the emergence of more high value-added industries.

“It is natural for different people to have different views on reviving the northeast’s economy. We recommend scholars not only point out the problems, but also provide ways to solve these problems,” she said. “If there are only scenario analyses and economic forecasts but no policy proposals, solving any concrete problems will remain impossible.”

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**CHINA BY NUMBERS**

### 8.4 million +

The number of defective automobiles that have been recalled in China as of early September 2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Number (in millions)</th>
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<tbody>
<tr>
<td>2013</td>
<td>3.3</td>
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<tr>
<td>2014</td>
<td>4.5</td>
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<tr>
<td>2015</td>
<td>5.1</td>
</tr>
<tr>
<td>2016</td>
<td>8.4</td>
</tr>
<tr>
<td>January – early September 2017</td>
<td>10.3</td>
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Source: General Administration of Quality Supervision, Inspection and Quarantine of China

### 4.8%

The year-on-year increase in China’s exports of seven labour-intensive products in terms of their value in US dollars for the first eight months of 2017, compared with the 7.6 percent growth of China’s total exports and the 8 percent growth of China’s exports of mechanical and electronic products, which accounted for 57% of total exports

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<tbody>
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<td>Plastic</td>
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<tr>
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<td>US$3.3bn</td>
<td>US$4.5bn</td>
<td>US$5.1bn</td>
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</tr>
<tr>
<td>Furniture</td>
<td>US$2.1bn</td>
<td>US$2.9bn</td>
<td>US$3.5bn</td>
<td>US$3.5bn</td>
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<td>Toys</td>
<td>US$1.1bn</td>
<td>US$1.5bn</td>
<td>US$1.7bn</td>
<td>US$1.7bn</td>
</tr>
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Structure of China’s US$298.9 billion exports of the seven labour-intensive products, 21% of China’s total exports, January – August 2017

Source: General Administration of Customs of China

### 175

The number of companies in the service sector in China's Top 500 list for 2017, which together make 43 percent of revenues, 69 percent of net profits and 81 percent of assets of the China Top 500 enterprises

**China Top 500, China Manufacturing Top 500 and China Service Top 500 services**

Source: China Enterprise Confederation

### US$14.3 billion

The sum of China payments to foreign owners of intellectual property rights for the first half of 2017, 23 percent higher than the same period of 2016

Source: National Bureau of Statistics of China

**About 4%**

The share of foreign-held debt of the total current outstanding Chinese non-financial enterprise debt

Source: National Bureau of Statistics of China

Source: Chinese Ministry of Commerce
The moment Su Jianping heard the news on July 7th that Hoh Xil in China’s western Qinghai Province had been successfully listed as a UNESCO world natural heritage site, the lecturer at the Northwest Institute of Plateau Biology (NWIPB) under the Chinese Academy of Sciences felt relief.

“Indeed, through previous feedback from the IUCN [International Union for Conservation of Nature] experts during and after their visits to Hoh Xil and their reflections on our application materials, we had already learned that it was overqualified according to two major criteria for the nomination: superlative natural phenomena or areas of exceptional natural beauty and aesthetic importance; a most important natural habitat for conservation of biological diversity, in particular, the endangered species of Tibetan antelope,” Su, who participated the preparation work for the bid, told *ChinaReport* at his office in Xi’ning this August. He thinks that compared with other world heritage sites already designated in China, the whole process for the Hoh Xil bid has been the fastest in preparation, the cheapest in cost, toughest in working environments, and had the least scientific data available at the start of the process.

Despite all these obstacles, after less than two years of preparation, Hoh Xil was granted the title.

**National Hero**

Hoh Xil is a Mongolian term meaning “Blue Ridge.” The area is

Hoh Xil was inscribed as a UNESCO World Natural Heritage site in July, but urgent threats to this pristine wilderness remain

By Wang Yan
made up of two neighbouring parts: the 45,000 square kilometre Hoh Xil nature reserve and the 32,000 square kilometre Soja-Qumar sub-zone of the Sangjiangyuan (Source of Three Rivers) Nature Reserve. This whole region is located at an average elevation of 4,600 metres. It enjoys China’s largest area of uninhabited land and is home to more than 74 species of vertebrates, 20 of which are under State protection, including the Tibetan antelope, wild yak, wild donkey, white-lipped deer, argali sheep and brown bear. There are a total of some 210 plant species, 72 being native to the Qinghai-Tibet plateau.

The most outstanding feature of the area is that it, according to the nomination text of the inscription, “conserves the habitats and natural processes of the complete life cycle of the Tibetan antelope, including the phenomenon of congregating females giving birth after a long migration.”

The Tibetan antelope, or chiru, once an endangered species on the IUCN Redlist, lives on the Qinghai-Tibet Plateau at an altitude of 3,250 to 5,500 metres. The species has been intensively hunted for its underfur to make extravagant shahtoosh (ibex wool) shawls, particularly during the 1980s and 1990s. This hunting even escalated to a commercial scale, and according to official estimates, about 20,000 Tibetan antelopes were hunted annually in those decades. Numbers and distribution of chiru have decreased sharply. The total number of the species dropped from 200,000 to 20,000 within a decade.

Things started to change as Sonam Dhargye, a local county official in Zhidoi in Qinghai Province witnessed with his own eyes the brutality of the massacre of this vulnerable species and started to voluntarily engage in anti-poaching confrontations with the poachers in the early 1990s. Sonam Dhargye set up a small team of a few fellow Tibetans called the Wild Yak Brigade to protect the wildlife in their home region. The team successfully caught poachers red-handed a number of times during their patrols in the vast pastureland.

It was on January 18, 1994, when he and his fellow team of rangers encountered a group of 20 poachers and confiscated seven vehicles carrying some 1,800 hides. Tragically, Sonam Dhargye was killed during a shootout with the poachers.

His death was the trigger of a subsequent nationwide campaign against the illegal poaching of the species. A protection station designated to Sonam Dhargye was set up in 1996 in Hoh Xil, two years after his death. Then in 1997, Hoh Xil National Nature Reserve was formally established by the government.

The Chinese government honoured him as a national environmental guardian, and his story was adapted into a feature film and broadcast nationwide. His actions have had a ripple effect and roused ongoing volunteer environmentalists to devote their efforts to the preservation of the wildlife and ecosystem of the Qinghai-Tibet Plateau.

Tashi Dorje, an ethnic Tibetan and an assistant to the late Sonam Dhargye, continued the anti-poaching initiative of the Wild Yak Brigade, and also set up a local environmental NGO in the late 1990s. The NGO was officially registered as Snowland Great Rivers Environmental Protection Association (SGREPA) in 2004. Since then, Tashi has launched various community-based preservation initiatives. (See “Eco-migration: Land of Hope,” ChinaReport, May 2013 Issue) Indeed, as more official emphasis is now put into biodiversity preservation and environmental protection, over 1,000 rangers have been hired to patrol the surrounding pastureland near their dwellings in
the Soja-Qumar sub-zone of the Sangjiangyuan nature reserve. Communities across the whole region are becoming more active.

The legend of Sonam Dhargye was also mentioned in the IUCN report text for the nomination of the Hoh Xil heritage site: “Sonam Dhargye, who was killed by poachers in 1994 while leading a patrol to protect antelope, is recognised as a national hero.”

Successful adherence to the anti-poaching initiative by both the government and the local community has allowed the numbers of the species to revive remarkably. In the Hoh Xil National Nature Reserve alone, numbers rose from 20,000 to 70,000 over the past two decades. Bu Zhou, Hoh Xil administration chief, told our reporter in August that since 2006, no illegal poaching has taken place in the domain of Hoh Xil.

**Bid Effort**

As various sources confirmed to our reporter, the decision to bid for world heritage status was made in late 2014 by the Qinghai provincial government. However, the real work did not start until May 2015 when the coordination group was set up.

Qinghai’s Department of Housing and Urban-Rural Development was designated as the chief coordinator of the different sections, including institutes studying wildlife and plantlife, animal husbandry, and geological and hydro characteristics within the region. The materials compiled by different groups were presented to an expert team at Peking University led by Professor Lü Zhi, who has been conducting studies on the snow leopard in Qinghai for years. The team from Peking University then drafted the final proposal for the bid.

The report on Hoh Xil’s biodiversity resources was prepared by a team of scientists from the NWIPB, located in Xi’ning, the capital of Qinghai. Professor Su, as the leading scientist in the team, has studied Tibetan antelope since 2002. Su admitted during the interview that scientific studies in the Hoh Xil area remain quite insufficient. According to Su, proper scientific research and study in Hoh Xil started in 1990, and a scientific expedition team of over 60 scientists from different fields joined a group expedition that year. “Yet they could only make a three-month tour from May through August due to bad road conditions, and following that, some sporadic individual studies were made over the following two decades,” said Su, adding; “The existing scientific materials remained insufficient for us to present a holistic report.” Considering this, Su and his team had to conduct intensive expeditions from 2015 to early 2017 to gather additional ground data and learn more about the biodiversity of the region.

“The draft text of the bid was completed by the end of 2016, since Hoh Xil needed to compete against a couple of other candidates domestically first,” Professor Lü Zhi told *The Paper* in August 2017.

Bu Zhou told *ChinaReport* that when the draft text was presented to the Ministry of Housing and Urban-Rural Development, Hoh Xil was indeed the latest in a list of eight competitors. “Despite us spending the shortest time on preparation, Hoh Xil stood out for its remarkable natural conditions and the outstanding preservation achievements of recent decades,” said Bu. “Despite the fact many candidates might have spent years or even decades to secure a win, Hoh Xil, though a latecomer, ran the fastest.”

“The unique value of Hoh Xil is irreplaceable. Considering there is no World Heritage natural site on the whole Qinghai-Tibet Plateau and considering China so far has no such wilderness element among its many existing heritage sites, Hoh Xil stands out among its domestic competitors,” commented Lü Zhi to *The Paper*.

In late October and early November, 2016, two experts from IUCN, the official advisory body on natural world heritage to UNESCO, spent over a week in Hoh Xil to inspect the situation of the overall nominated property for assessment of the site’s value. All application texts and materials were completed and presented to UNESCO by February 2017.

**Problems Remain**

In July, Hoh Xil together with Kulangsu Island in Southern China, were listed as new World Natural Heritage and Cultural Heritage sites respectively, taking the number of World Heritage sites in China up to 52. Yet certain challenges for the future preservation of Hoh Xil remain.

“Generally speaking, the overall management of the 52 World Heritage sites has improved after their listing. But one big challenge is the temptation for local governments to develop tourism,” Dr Zhu Chunquan, country representative from IUCN China told *ChinaReport* during a recent interview.

Jiuzhaigou, listed as a World Natural Heritage site in 1992, began to experience a tourism boom that has continued to this day. “As a bad example, Jiuzhaigou is definitely overdeveloped as a tourist...
destination, and this has impacted upon the biodiversity inside the
domain,” Zhu told the reporter, adding that pandas once roamed in-
side Jiuzhaigou but have all been scared away by the influx of huge
numbers of people, and this indicated a failure of the preservation
efforts of the site after its nomination. In addition, according to Zhu,
all indigenous Tibetan communities inside Jiuzhaigou were relocated
and offered jobs in the 1990s. “The natural domain, however, should
not lose its cultural connotations,” said Zhu, “tourism in a sustainable
way without destroying both the natural and cultural value of the
heritage site is a real challenge.” Statistics from the Hoh Xil Adminis-
tration indicate that as more and more tourists drive their own cars to
visit Qinghai and Tibet, the number of visitors to Hoh Xil has risen
to up to 40,000 last year. The number will increase in the foreseeable
future, admitted Bu Zhou.

Hoh Xil boasts the largest calving ground of the Tibetan antelope
and its major habitat area. Each summer, some 30,000 female ante-
lope migrate to the basins of Zunai and Taiyang Lakes inside Hoh
Xil to deliver their calves. During the winter, some 40,000 Tibetan
antelope remain in the nominated property, accounting for 20 to 40
percent of the global population. So far climate change and the con-
struction of roads are the major threats to Hoh Xil’s environment.

The effects of climate change have led to the melting of glaciers,
snow and permafrost in the region. This, coupled with the rise in
precipitation, have increased the water volume and already turned
some pastureland into lakes and wetlands. Xie Changwei from the
Cryosphere Research Station on the Qinghai-Tibet Plateau, under
the Chinese Academy of Social Sciences, told The Paper in late August
that the overall area of Salty Lake, to the east of Zunai Lake, has ex-

dended from an area of 45 square kilometres to 156 square kilometres
in 2011 through 2017. “If the overflowing water situation continues,
habitats for Tibetan antelope and yaks could shrink in the summer,”
Bu Zhou explained.

The Qinghai-Tibet Road and Railway, which both cross Hoh Xil,
connect the nature reserve with the outside world. However, the
IUCN assessment points out that the two arteries, while bringing
convenience to locals, are among the biggest threats to local wildlife.
Lian Xinming, an associate professor from NWIPB has focused his
study for many years on the impact of the construction of the road
and railway upon the migration of the Tibetan antelope, and on solu-
tions to minimise the impact.

According to his findings, the 33 corridors built under the railway
to allow the Tibetan antelope to pass beneath where the line crosses
their habitat are rarely used by the animals when they migrate. Yet the
Wubei Bridge of the Hoh Xil section of the Qinghai-Tibet Railway,
on the land of a former river, is the route the antelope prefer to take
during the migration season. “The reason, I found out, after years
of research, is that the Tibetan antelope are afraid of the traffic they
see on the road. When they pass through under Wubei Bridge, they
cannot see any traffic due to the horizon being blocked by some small
hills,” Lian said, and added that proper locations for creating corridors
are not easy to determine without sufficient study of the surrounding
topography and animal habits.

The more urgent issue at the moment is that another Qinghai-Ti-
bet Highway is planned, according to Lian. “As far as I know, the plan
is to build a 26-metre-wide highway in between the existing road and
the railway,” said Lian Xinming, adding that “considering the width
of the highway, even building it on a raised viaduct, it would cast a
huge shadow which would intimidate the Tibetan antelope so much
that they won’t cross it.”

According to an inside source, as a national strategic plan, this high-
way project has been decided for years and is expected to go into con-
struction soon. “To build the highway in between the existing two is
to minimise the impact on the corridor and habitat of the wildlife,”
the source added.

“The impact is unavoidable, since the planned highway is too wide
and I doubt the Tibetan antelope would dare pass under it,” Bu Zhou
told the reporter.★
Patriotic fervor has seldom been seen by film investors as fertile box-office territory in China’s romance, comedy and fantasy dominated entertainment industry. However, this summer, the Chinese Rambo-style film *Wolf Warrior 2* has smashed the country’s box office records to become the top-grossing domestic film of all time.

Directed by the martial arts expert Wu Jing, who also starred in the lead role, the film raked in more than 5.56 billion yuan (US$850 million) in the month after its July debut. It knocked 1994’s *Forrest Gump* out of the list of the all-time 100 highest-grossing films and was also the first non-Hollywood film to make it into the top 100. The film is marching to beat *Avatar* (2009) to become the second-highest-grossing film based on box office sales in a single market.

The film tells a Hollywood-style story of a former Chinese special forces soldier rescuing Chinese workers and African civilians from a war-torn and plague-ravaged anonymous African country, which has been occupied by local insurgents and Western mercenaries. *Wolf Warrior 2* impresses audiences with the quality of its action scenes, heart-racing stunts and eye-popping special effects. The secret to its box office miracle, as many critics point out, is that it has successfully tapped into audiences’ feelings of patriotism and nationalist pride towards an increasingly self-assured China.

“In fact, the film is just a matchstick,” is a metaphor Wu Jing is particularly fond of when being interviewed. “It’s a little spark that ignites the flames of love deeply rooted in every Chinese for our country.”

**Captain China**

For the first time, young filmgoers in China who have consumed tons of Hollywood superhero films can watch a homemade “superhero” on screen. The lead character, Leng Feng, is not actually a superhuman, but he’s classed as a superhero by audiences, perhaps a little like the way Batman is just a normal man under the cape.
The story has a realistic touch as it is loosely based on several true stories involving military evacuations of Chinese workers from Libya back in 2011 and from Yemen in 2015.

After being dismissed and imprisoned for two years for an assault on a guard over the honour of a deceased fellow soldier, Leng Feng goes to Africa to get to the bottom of the death of his fiancée, who used to be the captain of the special forces team Wolf Warrior.

Leng soon finds himself in the middle of a civil war in the plague-ravaged country, the name of which is not specified in the film. As the local rebel army and war-mongering Western mercenaries take the city and slaughter the civilians, Leng becomes a one-man rescue team to save a group of his compatriots and African employees of a Chinese-owned factory.

Hollywood-style production elements can be recognised in many aspects of the film. The storyline of one-man-rescues-the-innocents can be found in endless Hollywood action and war films. The protagonist Leng Feng is also in the shape of Western character like James Bond or Steve Rogers, who is deeply patriotic and willing to fight to the death for his country's honour, no matter how much he himself has been wronged.

Overseen by stunt coordinator Sam Hargrave, who worked on Captain America: Civil War and Atomic Blonde, Wolf Warrior 2 is widely acclaimed for the quality of its special effects, stunts, explosion and action scenes worthy of Hollywood. The intense fight scenes range from an underwater martial arts brawl with pirates at the start of the film, to the street gunfights with African insurgents in the middle and finally to a tank battle with European mercenaries towards its climax.

The film rides a wave of patriotic fervor, as numerous filmgoers took to social media to heap praise on it.

“It feels so great to finally watch an individual hero in a Chinese mainstream film,” says a user on Weibo, China’s equivalent of Twitter. “You seldom see such a confident China in today's domestic films. Its success does not rely on Hollywood-style special effects, pretty boys or affected lines. It no longer hides the violence and faithfully depicts the cruelty of war in front of audiences. The real action scenes, fast-paced plots, popcorn-style jokes and the impressive battles of missiles, tanks and cruisers – you will be amazed by the ambition of Wu Jing. Although it's still immature in many ways compared to Hollywood films, as a domestic film, it deserves all the praise,” Weibo user “Lanjue Yoyo” tweeted, gathering 4,078 likes.

Storm of Patriotism

Wu Jing told ChinaReport that the last scene, involving a passport, is his favourite of the total 4,007 shots. The film ends with an image of a Chinese passport with a message scrawled across the back: “Citizens of the People’s Republic of China, if you encounter danger
overseas, do not give up! Please remember, right behind you, there is a powerful motherland!"

“That’s the very thing I want to express,” said Wu. He told our reporter that in the past he had encountered lots of unfair treatment and been asked offensive questions when applying for visas ever since he first went abroad in 1986. “I’ve always waited for a time when China becomes a strong country and the Chinese passport becomes powerful. Now the time has come,” Wu said proudly.

He repeatedly emphasises in front of media that the secret of the film’s incredible box office takings lies in Chinese people’s love and pride for an increasingly strong motherland.

“The love of the homeland runs deeply in the veins of every Chinese. The strong sentiment, just like a bunch of thoroughly tanned dry wood, can leap into a blaze with a tiny spark of fire. I just strike a match and toss it into the wood, and the passion within everyone has been wildly ignited,” Wu told The Beijing News.

Patriotism and national confidence, a key message of the film, also sparked controversy. Many commentators criticised the film’s unrealistic exaggeration of the protagonist Leng Feng’s abilities. Many pointed out that such a one-man-saves-the-world kind of superhero is too invulnerable to be real.

The famous film critic “Daqihupi” described the film as “a bottle of national energy drink.” Some criticised that the film takes advantage of rising nationalism among the young and call the film “doing patriotic business.”

In a press conference on August 17, Wu Jing retaliated by saying some audiences have double standards: they say nothing against those unbreakable superheroes in countless Hollywood films, but find fault with a strong, ethnically Chinese hero.

“An American hero defeats a whole division by himself without getting a single injury, yet nobody questions that. But if it is a Chinese soldier who defeats a couple of mercenaries and survives, some say it’s impossible. How come he has to die?” Wu said.

With regard to the controversy over the film’s nationalistic message, Wu responded, “It’s totally fine if people have different opinions towards the art of my work. But I don’t understand why the expression of patriotism is a target of criticism. There is nothing wrong with being patriotic and loving my country.”

Milestone

Many industry insiders and scholars argue that in various ways Wolf Warrior 2 can be regarded as a milestone in Chinese film history, and that is not merely because of its box office miracle.

Industry observers claim that the huge success of Wolf Warrior 2 could be calling time on the recent craze for the “IP + Stars” filmmaking mode among Chinese financiers and film producers. IP (or intellectual property) refers to adaptation rights for existing books, web novels and games.

In the past few years, film investors and producers have relied too much on the “fans economy,” leaning more on stars names, good looks and popular IP works instead of good acting and original scriptwriting. Popular pulp fiction and superstars with a huge fan base – usually young and pretty but not necessarily experienced in acting – are seen as two safe guarantees for box office takings.

Alibaba Pictures’ fantasy romance Once Upon a Time, Wolf Warrior 2’s biggest domestic contender, follows the typical “IP + Stars” model as it is adapted from Chinese web novelist Tang Qi’s popular novel Three Lives, Three Worlds, Ten Miles of Peach Blossoms and stars Yang Yang and Liu Yifei, two young starlets with legions of fans.

The State-backed The Founding of an Army, another major rival to Wolf Warrior 2 at its release time was produced to celebrate the 90th anniversary of the People’s Liberation Army, and features 50 famous Chinese pop stars.
Without superstars or IP familiarity to rely on, *Wolf Warrior 2* with its original screenplay raked in over 10 times as much money at the box office as *Once Upon a Time* and fifteen times as much as *The Founding of an Army*.

“The ‘IP + Stars’ films are made more for fans than for audiences. If you go to a cinema to watch *Once Upon a Time*, you will probably hear female viewers’ scream every time Yang Yang’s face appears on screen. That’s more like joining a fan meeting than watching a film,” film industry observer Mo Liu told our reporter.

“The success of *Wolf Warrior 2* signifies that the golden age of the ‘IP + Stars’ model has gone. It points out how to make a Chinese blockbuster,” Mo added.

In an article “*Wolf Warrior 2, Captain China in the De-globalisation Era*,” Xue Jing, scholar and cultural analyst at the Chinese department at Peking University, points out that the significance of *Wolf Warrior 2* lies in its reconstruction of the narrative of Chinese patriotic films – it shifts from the “narrative of the weak” to the “narrative of the strong.”

Xue indicates that collective memories of national traumas since the 1840 Opium War, along with narratives such as “sick man of East Asia,” “lagging behind leaves one vulnerable to attacks,” informed the Chinese national identity during the course of the formation of modern China.

In traditional mainstream patriotic films, China is usually portrayed as a war-torn country that is being wronged, bullied and shamed, and Chinese characters are dying to fight for her honour. Thus, Xue argues, most of these films follow the “tragic heroism” and “identity of the weak” tropes.

Yet the traditional narrative of tragic heroism has gradually lost its ground among the younger generations, who harbor strong confidence in their increasingly powerful country.

“The *Wolf Warrior* series attempts to reconstruct a new collective national imagination. Its context has changed from ‘used to be the weak’ to ‘already being the strong.’ The film’s depiction of African civilians under attack in a war-torn region evokes audiences’ similar memories of the past China as a weak, victimised country. However, the camera shifts to the young Chinese factory owner giving a clear promise of rescuing all his African employees, and the scene brings audiences back to the reality that China has already become a strong country. The cinematic juxtaposition of a strong us [Chinese] saving a past weak ‘us’ [Africans] completes the shift from ‘the identity of the weak’ to ‘the identity of the strong,’” Xue wrote.

Thus Xue believes the meaning of *Wolf Warrior 2* is not copying Hollywood and presenting a black-eyed, Chinese (“yellow-skinned” in Xue’s words) superhero, but it “creates” a new cinematic imagination of China.

Yin Hong, a lecturer at the School of Journalism and Communication at Tsinghua University, argues that one breakthrough that *Wolf Warrior 2* has made lies in its creative attempt to adapt Hollywood-style individualistic heroism into Chinese collectivistic values.

“One man versus an unjust order – the idea is the same as that articulated in countless Hollywood war and action films, just like *First Blood* and *James Bond* series. The heroism culminates when an individual wins the final battle with an unbeatable evil force. Beneath *Wolf Warrior 2* there is also a very typical Chinese value. Lots of national signs – the national emblem, national flag and the passport – appear in the film. This is a Chinese reformation of Hollywood-style action films,” Yin told *The Beijing Evening News*.

Yin also pointed out that some elements in *Wolf Warrior 2* have impeded it from going global. “Its overemphasis on nationalism, an inhumane depiction of death, and the suffocating density of violence would more or less harm its artistic value, but these elements in turn serve as a catalyst to boost the domestic box office,” Yin said. ★

Additional reporting by Wu Yuhang
In a country well known for its diversity of cuisine, no food has swept over China’s borders and conquered the stomachs and minds of the populace quite like the crayfish has in the past three decades. It has beaten barbecue and hotpot to become China’s top choice of food for a late night snack.

The Louisiana or red swamp crayfish (*Procambarus clarkia*) is native to the south central United States and northeastern Mexico. The crayfish was first introduced to China in Jiangsu Province by a Japanese merchant in the 1920s for use as bullfrog feed.

For half a century, the species silently expanded its habitat from the eastern coast to Hubei and Hunan Provinces in south-central China. Those born in the 1980s and early 1990s in Hubei and Hunan have fond childhood memories of fishing for crayfish in ponds and mud flats. It was not until a cook in Hubei stewed the crayfish with oil, sugar and beer for the first time in 1980 that Chinese gourmands discovered the delicacy.

China’s crayfish frenzy has created a huge industry, valued at 146.6 billion yuan (US$21.58 billion), with more than 5 million people engaged in various parts of the supply chain, according to a recent study by China’s Ministry of Agriculture. China is the world’s biggest crayfish producer and exporter, and last year alone, Chinese foodies consumed 879,300 tons of the clawed creatures.

Crayfish nights-out are becoming more of a social tool, during which dining partners can casually chat with each other, too busy peeling the shells with gloved hands to glance at their smartphones.

1. A 15-metre-high, 18-metre-long giant crayfish statue is built in Qianjiang, Hubei, smashing the Guinness World Record for being the biggest crayfish statue
2. Citizens in Ningbo, Zhejiang, quaff beers during a crayfish-eating competition
3. A crayfish feast is served at the annual meeting of the e-commerce giant Alibaba Group
The founders of Baopals – from left, Jay, Charlie and Tyler – pose on a rooftop.

Photo by Francesca Triggs
1. Crossbreeding experiments are carried out to improve crayfish varieties at the laboratories of the Laike Aquatic Food Company in Qianjiang, Hubei.

2. Crayfish breeders in Xuyi County, Jiangsu Province, check this year’s harvest.

3. One of the sterile, temperature-controlled crayfish export processing workshops of the Laike Aquatic Food Company in Qianjiang, Hubei.

4. At a crayfish festival held in Changsha, Hunan, a 2.5-metre-high mechanical excavator is used as a cooking utensil to fry the crayfish for attendees.

5. Crayfish is one of the most sought-after cuisines in Hangzhou, Zhejiang Province.

6. Revellers devour tons of crayfish at the 16th International Crayfish Festival in Huai’an City, Jiangsu.
Shanxi: Travelling the Northern Wei

More Than Just Coal

Surrounded by coal mines, pockets of Datong form oases of history and calm, even when dangling from the side of a cliff

By Francesca Triggs

Located in the north of China’s Shanxi province, close to the border of Inner Mongolia, the city of Datong is, for most people, synonymous with coal mining. This was probably what caused the surprise when, at the bus station in Beijing, we told the lady at the ticket counter where we wanted to go. “Datong?! Are you sure you mean Datong?” came the reply. A group of construction workers nearby chipped in with their strong Beijing accents: “What the hell are foreigners doing in Datong?” Undeterred, we boarded the bus for the six-hour journey, confident that there were more treasures to be found in Datong than mere coal reserves.

Only a short trip out of the city, visitors can spend a day exploring the ancient Buddhist caves of Yungang, and the architectural miracle of the Hanging Monastery perched in the shadow of Mount Heng.

As we headed out of Beijing, the mountains grew in height, and the Great Wall wound like a large serpent through the rocky hills. This landscape soon transformed into terraced fields, which in turn were replaced by rice paddies with stooped figures in bamboo hats labouring under the hot sun, with blue mountains lining the horizon beyond. Six hours and two smoking breaks later, our bus drew into Datong. The old town is, indeed, concealed within an exoskeleton of industrial wasteland, having served mainly as the country’s coal capital for decades. However, after a while spent haggling with a group of playful taxi drivers, we were taken into the “ancient” city centre, which contrasted sharply with the city’s rough exterior. After billions of yuan of government investment, this has become something comparable to a polished, Disneyland version of an ancient Chinese city. Most of the buildings, despite their style, had been completely renovated in the last five years. The centre, however, was not the main reason for our visit, and thankfully there is nothing remotely synthetic about the neighbouring Yungang Grottoes and Hanging Monastery, both of which date back to the Northern Wei dynasty (386-534 AD).

After an early start fuelled by a breakfast of sheep organ noodles, a local speciality proudly presented to us by our hotel hosts, we hired a driver to take us to the Yungang Grottoes, about 16km out of town. These were absolutely breath-taking, the fruit of years of toil borne out of devotion to Buddhism. This ancient religion arrived in the area via the Northern Silk Road, and as one of the three oldest sites of Buddhist sculptural art in China, the caves were inscribed as a UNESCO World Heritage Site in 2001.

There are around 45 major caves open to the public, and over 50,000 individual statues, ranging from an almost 20m tall Buddha in Cave Six to some just 2cm tall. Caves number 16 to 20 are a must-see, collectively known as the Tan Yao Caves and the oldest of all, built in 460-470 AD, and the essence of the entire site. Cave numbers 5, 6, 9 and 13 are also particularly impressive, and
extraordinarily well preserved despite the region’s harsh dusty winds blowing in from the Gobi Desert. This is mostly due to large-scale maintenance work, which has achieved a wonderful balance between conserving a feeling of authenticity and protecting the original beauty of the caves. Moving from east to west, you can visit most of the grottoes, as well as an impressive Ming dynasty fort perched on top of the cliff housing them, in about half a day. This leaves time to carry on to the region’s famous Hanging Monastery.

The monastery was built into a cliff to the west of the famous Mount Heng (Hengshan), an impressive 75 metres above the ground. It has been called an architectural wonder, appearing to defy gravity. The thin wooden support beams did not look convincing to me, although of course the main supporting structure is hidden inside the bedrock. Originally built in 491, it was rebuilt and maintained in the Ming and Qing dynasties, and more recently was closed for repairs for part of 2016 due to a perceived safety risk. (The risk still looked very much present to me.) Primarily impressive due to its curious location, it is also famous as the only monastery which combines Buddhism, Taoism and Confucianism under the same roof. In fact, it is partly due to the Taoist importance placed on uninterrupted silence that the structure was built up a cliff, away from human or animal noise. Of course, there was also the practical reason that, up on the rock face, the temple was safe from floods and sheltered from the rain, snow and sunshine, a big contributing factor to its endurance over the last 1,500 years. I was extremely thankful that there weren’t many tourists on the day of our visit, as already the wooden structure seemed to sway as we walked gingerly along its narrow corridors and up its steep spiral staircases, peering into tiny bedrooms and shrines. It is certainly easy to see how, meditating on this wooden frame perched, seemingly, in mid-air, one might feel closer to heaven. Peering over the edge, I certainly felt like I might end up there any minute.

For those looking for further spiritual enlightenment, the nearby Mount Heng is considered a sacred mountain, albeit the least visited and developed in China. The hike to the peak and back can be completed in about three hours, although on this occasion we arrived too late to buy tickets. Instead, we continued down the road to a natural park, known locally as the “soil forest” due to its protruding towers of loess and grit sediment resulting from wind and water erosion. As we walked, the huge orange sun setting over the horizon cast a golden glow over the miniature canyons and the green and blue layered mountains beyond, bringing our trip to a magical end.★

PRACTICALITIES
The City of Datong is a great springboard for a day trip to the Yungang Grottoes and Hanging Monastery. I had a wonderful stay at the Pipa Hostel, newly opened but decorated in a very traditional style complete with kang (brick) beds. The staff are very helpful in terms of providing local recommendations and tourist information, although they speak very little English. There are many great restaurants downtown, of which Feng Lin Ge is a firm favourite among visitors, as is Laoye Miao. In both you can find many of Datong’s delicious delicacies.

GETTING THERE
As a large city, Datong is well connected to the rest of China via train, bus and plane. Once there, I would recommend hiring a local driver to take you around the area, in particular if you want to see everything in a day. These can be organised for you through your hotel reception for a flat daily rate. Train lines and buses are also a possibility, but will make it harder to fit everything into one day. The best time to visit the area is between May and October. For the hanging temple, I would try to go as close to the 9am opening time or 5pm closing time as possible on a weekday in order to minimise the risk of crowds, as it is far more enjoyable (and probably much safer) to wander around off-peak.
Hire bikes can take a hike

By Frank Hersey

Around two years ago I cheated on my old faithful Wolf-brand bicycle, with a newer, flashier model hanging around on a street corner, quietly making itself available – for a reasonable price for a bit of fun. I went back to my own bike afterwards, telling myself it had just been a joyride, a flight of fancy. Yet over the next two years I would find myself on these “on demand” contraptions multiple times a day, until, as with all relationships, it came to an acrimonious end.

The early days of hire bikes being put on to the streets of Beijing and other big cities across China now seem like another era. So ubiquitous are the bikes that it’s hard to imagine what the streets, pavements, cycle lanes, apartment block corridors and highway underpasses looked like without a sea of multicoloured frames and wheels.

Every couple of days it seemed, a new contender would enter the market by dumping dozens or hundreds or thousands of bikes onto the streets, neatly lined up like rideable dominoes. Orange, yellow, blue, red, green, rainbow-coloured and even metallic gold. The colours have clearly all been used up as the latest company to tempt us with their cycles has had to go for white.

The bikes are called “shared bikes” and are meant to be part of the sharing economy that will transform everything. Yet along with almost all the other examples of the sharing economy in China (umbrellas, gyms big enough for one person, phone charging lockers, basketball dispensers) they’re just goods provided by a company for hire. Perhaps the term “sharing” might make people treat them in a more community-minded way. We would see.

At first I was an occasional user. It was a good idea to take one of the bikes if going out in Sanlitun. It’s a hotspot for bike theft and if I ended up having a few too many drinks I could just take a taxi home.

Then maybe I’d be heading across town and needed to arrive looking presentable so wouldn’t want to cycle the whole way. I’d take the subway, but ride a bike the short distance to the station to trim the journey time down. The bikes became more and more a part of my day. I signed up for multiple schemes, joking to myself that the deposits I was putting down would form my pension.

My old bike spent longer periods chained to the radiator inside the door to my apartment building. Sometimes a handy place for neighbours to stack their cardboard boxes. I’d walk past it as I fired up the apps to see what bikes were outside. Around four months ago the main map app I use integrated the two main bike schemes so that I didn’t even have to go from app to app. This was the high point of ease. I could hire multiple bikes for friends and we’d roll from bar to bar. There was an endless supply of bikes everywhere.

But spanners started to be thrust in the works. In the compound where I live, more people, including the security guards, were securing the bikes with their own locks. Or leaving them unlocked, only to pounce on me if I approached and tried to activate the bike for my own use. I started getting in arguments with people. The hire bikes had always been kept in people’s gated compounds or work places and even in their homes. The influx of ever more bikes devalued them and led to people’s less-than-careful treatment.

My old bike repairman packed up, and his vacated plot became yet another parking place for the bikes. Shame he wasn’t a repairman for the hire bikes themselves as they are now falling apart. Some of them are clearly vandalised. You’ll see several together looking violated with their inner tubes pulled out and trailing on the ground, but many others have simply broken with use due to their cheap components.

I developed a quality control assessment before trying to unlock a bike. Did it have a saddle, pedals, chain, brakes, two wheels? In certain parts of town there would be plenty of bikes, but I’d spend upwards of 10 minutes sifting through for one that could actually be ridden and unlocked, meaning it would have been quicker to walk. Beijing has recently put a ban on any more bikes being put on the streets, so the existing stock is only going to deteriorate. Then just this week, the scheme I used the most (it has seats you can adjust to a height that doesn’t have your knees bashing into your ears) has created a new app. But it’s no longer in my app store because I’m foreign (though that particular company does have an app in my home country, the UK).

And with that, I’m dismounting from the whole concept. The shouting, time wasting and danger of not knowing each bike’s peculiarity when on the roads. The Wolf is coming out of hibernation and is going to rejoin the pedal power pack.
When I recently took up running as a hobby to get myself fit and healthy in Beijing, I had no idea that I would enjoy it so much or that it would allow me to see a different side of China – one I wouldn’t ordinarily see on my daily commute.

I still recall my first run – it was a bitterly cold early morning one February. I ran through the hutongs to the Lama Temple, the scent of incense reaching my nostrils as I turned down an alley next to it. As I ran onto the main road I quickly remembered my dislike of busy paths and so took the next turning. I found myself in a hutong that I had never set foot in during the four years I’d lived in the neighbourhood. I ran past locals doing their fruit and vegetable shopping, and vendors selling congee and steamed buns. China in the early morning, despite the freezing cold, is abuzz with activity, not like back home in the UK where the streets are quiet until 8 or 9am. I was hooked.

Running at different times of the day I get the opportunity to witness various aspects of urban life in Beijing. When I run along the waterway to the north of the second ring road in the early morning I hear a cacophony of saxophones as I pass locals practising their instruments. Every time I wonder why they group together and practise near one another despite all playing individually.

The other feature of an early morning run is seeing gentlemen take their birds out to the parks in cages. As they walk with the birds they swing the cages, which are covered. I suppose it mimics being on a branch in the wind. Then at the parks they hang up the cages up and uncover them. I get to see lots of different cages all being hung up on neighbouring trees so that the birds can sing to one another, I suppose. The owners of the birds then sit and talk, smoke or play chess. While normally I would have still been in bed.

If running later in the day I pass men fishing in the waters. They rarely catch anything but it’s a peaceful area to while away the day. As light gives way to dusk the dog walkers come out in force. Despite a ban on large dogs within the fourth ring road, I frequently run past huskies and even the odd Tibetan mastiff. I wonder how the owners evade the licensing restrictions. As evening falls in the parks the dancing troupes begin to rehearse. The paths get busier as people go for a stroll after work.

I was initially unsure of running later in the evening – in some countries running along darkened paths at night would not be sensible. In China however I feel completely safe. I’m surprised at the number of people who are also out walking or jogging late in the evening. Just like anywhere else, people must work different shifts so that an 11pm run is perfectly normal.

As a foreigner jogging I feel like the people I happen across along my route are always surprised to see me. Yet I feel like I’m somehow more accepted when jogging. I get the feeling people see me less as an outsider as I’m doing something that is just a normal part of urban life. I have friendly chats with my neighbours whilst I’m outside stretching before a run, as the activity gives us something extra to talk about. Out on the road I’m always curious about the other joggers that I pass. Some wear all the latest gear and lap you two, three times as you run around the park. Other runners seem to be ordinary people that are interested in getting fit but can’t afford special sports clothing so they run in whatever they have.

I enjoy watching the passing of the seasons whilst I’m out. In the middle of March the buds begin to appear on some of the trees along the river, followed very soon after the blossoming of the magnolia trees. Come April the sumptuous cherry, apricot, peach and crab apple blossoms begin to bloom. As the weather warms we get a few weeks of the dreaded poplar fluff, which itself makes jogging beautiful as in places it looks like it’s snowing.

Once all the leaves have come out I come to appreciate just how many parks and green spaces there are for locals to enjoy in Beijing. Jogging really makes me see a different side of the city – I now feel I know the city so much better and feel a part of its fabric much more than before.
Sticking around

By Jack Smith

“Oh, you can use chopsticks!”

This phrase, almost as ubiquitous as the old chestnut "Wah, your Chinese is so good!" is wearingly familiar to anyone of non-East Asian ethnic extraction living in China. Just picking up these tricky utensils without dropping them is enough to elicit purrs of approval – the assumption being that, prior to arrival in the Middle Kingdom, we'd never clapped eyes on a set before.

Of course, many in the West make it happily through their gastronomic life without ever needing to master a humble pair of chopsticks. But those en route to China need to be warned – there will come a time when no other implement is available, even if that occasion is when one is offered a tub of instant noodles on a crowded train. I recall greeting a friend at Beijing Capital International Airport in the grey, frigid winter of 2007. He proudly informed me he'd tucked a handy travel set of cutlery in his bag to avoid having to use chopsticks at all during his visit.

He forgot to bring these to our first meal out, and, two messy hours later, was a reluctant chopstick convert. Much like the Mongol and Manchu conquerors of old, Chinese culture absorbed this foreign interloper.

Chopsticks are one of the oldest recorded eating implements known to us – only knives appear to have been around for longer. A Warren States tomb in Luoyang dating to around 1000BC has divulged over 50 sets of chopsticks made from different materials. They're name-checked in the Book of Rites and described at length in literary classics like the Dream of the Red Chamber. By the time of the fall of Rome, chopsticks had spread to Korea, Japan and much of southeast Asia.

Throughout history, jade, mahogany and solid gold chopsticks were all used by China's nobility. Silver was the go-to choice for the Emperor – legend has it that poison will turn silver chopsticks black. The sages are silent on how long this process would take, leading me to assume, given the need for food tasters and a parade of at least a few dozen dishes at each meal, that no emperor ever enjoyed a piping-hot meal fresh from the kitchen.

This long pedigree has led to the chicken-and-egg question of whether chopsticks were shaped by Chinese cuisine, or the other way around. A general lack of ready cooking fuel for all but the affluent certainly contributed to the preference for boiling and flash-frying smaller pieces of meat, fish and vegetables. These small, often slippery chunks are much more easy to manipulate with a set of pincers than, say, a fork or knife. Try to pick quail eggs out of a steaming, oil-rich hotpot with a pocket knife and you'll see what I mean.

As is typical of any implement central to daily life, chopsticks have acquired their own cultural symbolism and etiquette that, while quick to commit to memory, necessitate constant practice. Never stick your chopsticks upright in a bowl of rice, as the shape calls to mind an offering of incense for the dead. Don't cross chopsticks with a dining partner, or use them to dig through a dish looking for the tastiest morsel. Real sticklers will insist on communal chopsticks to serve oneself from shared dishes, or two separate sets for each diner to ensure that nobody's mouth contaminates a dish meant for everyone.

And, whatever you do, don't stick a set through your coiffed hairstyle, as a fellow student of mine did for weeks after first arriving in China. Turns out, impaling your topknot on an eating implement doesn't send a great message about your sense of elegance. When the student in question queried this viewpoint, she was answered curtly by an exasperated Chinese classmate: "Would you stick a fork in your head and go out dancing?" ★

real chinese

xiaoquexing

a little dose of happiness

In the heat of the summer, there's a certain pleasure when you get back home, switch on the air conditioner and down a glass of cold water. Such small pleasures now have a new Chinese term, xiaoquexing, literally, a little dose of true happiness.

With "xiao" meaning "little", "que", "true" and "xing", "happiness", xiaoquexing originates from Afternoon in the Islets of Langerhans, a collection of essays written by renowned Japanese author Haruki Murakami. In one of the essays, Murakami describes the small things in life that make people happy. For example, he thinks it a xiaoquexing when he folds clean underpants and puts them neatly in a drawer.

Different from Murakami's novels which sometimes ooze with sadness and loneliness, Afternoon in the Islets of Langerhans, the Chinese edition of which was published in 2002, is light, calm and relaxing. Yet, the Chinese term xiaoquexing, which was directly translated from Japanese, did not become popular on the Chinese mainland until the last two years. As people find themselves under mounting pressure with waves of negative news washing over them, xiaoquexing is believed to encourage people to cherish every moment in life when they feel fortunate or joyful.

Netizens like to share their examples of xiaoquexing, such as finding some forgotten money in the pocket of an old coat, enjoying afternoon tea with a close friend in a quiet café, having dinner with mum and dad during holidays, temporarily abandoning a diet and eating up a bowl of ice-cream. Psychologists believe that paying attention to enjoying moments of xiaoquexing will help people slow down their pace of life, and even make them more tolerant and grateful.

To see how young Chinese have tweaked the phrase to their own ends, see page 30.
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