

CHINA REPORT

中国新闻周刊
English Edition

SOCIETY

Camping Out:
Parents Count
Cost of Kids'
Holiday Trips

ECONOMY

Riding Solo:
Concern Grows over
Didi's Monopoly

SPECIAL REPORT

Fertility Crisis:
How Can China
Boost its Birth Rate?

MASS APPEAL

Can Pyongyang convince the world it's
open for business?



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CHINA HOUR

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from inside the country

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China needs more systematic tax reform

After months of contemplation and debate, China's State Council has finally released a new tax reform plan that will cut individual income tax. The plan raises the taxable threshold to 5,000 yuan (US\$730) per month from 3,500 yuan (US\$511). It also alters the structure of income tax rates.

In effect, the payable tax of those with a monthly income of 10,000 yuan (US\$1,460) will drop by 70 percent, and those earning 20,000 yuan a month (US\$2,920) will get an effective tax cut of 58 percent.

The changes also allow personal tax deductions for spending on children's education, continuing education, medical fees for critical illness and interest on housing loans and rent, although there were no details on how the deductions will be applied.

While the authorities claim this change will substantially reduce the tax burden of low- and middle-level income earners, public response has been muted. The reform falls short of expectations.

During the drafting stage, many argued the minimum rate should be 7,000 yuan (US\$1,022) or 10,000 yuan (US\$1,460) per month, or even higher. And there were also calls for it to be pegged to inflation and other economic indicators to avoid bracket creep.

China last increased the income tax exemption level in 2011, when it went from 2,000 yuan (US\$299) to 3,500 yuan (US\$511). Government revenue from personal income tax has more than doubled in recent years from 582 billion (US\$86.9b) yuan in 2012 to 1,196.6 billion yuan (US\$178.6b) in 2017, a rate far faster than national GDP and wage growth.

In the first half of 2018, income tax revenue ballooned by 20.6 percent compared to the previous year. Without a fluctuation mechanism the newly announced tax cuts will likely dissolve before long.

And while the reform appears set to lower the tax burden of low-income earners and the middle class, it does little to address the problem of an overall tax mix that favours the rich over the poor.

China's personal income tax has long been dubbed a "wage tax." The reform does not change the overall tax rate structure.

Under the new tax law, the highest tax rate for wage earners remains 45 percent, while the maximum business tax rate is 35 percent, and for capital gains, zero to 20 percent.

Last, the reforms have raised concerns among businesses. Earlier this year, China conducted an institutional reform, which requires firms to pay social security expenses to the central tax office, instead of provincial and local agencies.

In the past it was common for Chinese businesses to calculate and pay social security fees based not on the actual salary of their employees, but on the minimum monthly salary set by local governments.

The practice, which is illegal, has been widely tolerated by local authorities. It is believed the latest reform will accompany more strict collection of social security fees, something already reported to be going on in some places.

Experts say strict enforcement will significantly increase expenses for small- and medium-sized businesses. Social security accounts for 40 percent of labour costs for businesses operating in China, but this fund also faces mounting challenges from a rapidly ageing population.

When he announced the reform, Chinese Premier Li Keqiang said the government would explore the possibility of lowering the social security expenses. But given the uncertainties over the enforcement of tax codes, there is nonetheless anxiety in the business community.

Facing this tangle of challenges, the Chinese government must take a more systematic approach focusing on establishing a fair, mature, and sustainable tax structure and an established mechanism to address the new situation, instead of responsive, ad hoc, arbitrary solutions to single issues.

As with many issues in China, the fundamental approach should be to reduce the ever-increasing administrative expenses of the government and increase the ratio of spending on social services. ★

While the reform appears set to lower the tax burden of low-income earners and the middle class, it does little to address the problem of an overall tax mix that favours the rich over the poor

STARRING ROLE

With North Korea on display for its 70th anniversary, can the poverty-stricken nation rejuvenate its threadbare economy?



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Photo by CFP

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ChinaReport, Chinese Edition

August 20, 2018

Pinduoduo at a Crossroads



While big e-commerce platforms are focusing on middle-class consumers, Pinduoduo, a Chinese e-commerce platform that enables users to participate in discounted group buying deals through social media, has seen explosive growth since its inception in 2015. Pinduoduo mainly targets consumers from third- and fourth-tier cities who have been largely neglected over the years. The low-price strategy, the stickiness of social media, along with ubiquitous marketing campaigns have substantially enhanced its brand awareness. After attracting several rounds of capital financing, the online group discounter registered a user number of 300 million. Alongside its flourishing business, however, consumers have complained of the ubiquity of counterfeits on the platform. Pinduoduo is at the crossroads of corporate development and it will be a major challenge to meet the demands of both users and platform vendors in line with laws and regulations.

Caixin Weekly

August 26, 2018

Insecure Social Security

Alongside the greying population, it is increasingly difficult for China's social security funds to make ends meet. Official statistics show that more than 400 billion yuan (US\$58b) in government financial subsidies was injected into the national pension insurance fund annually in recent years, accounting for more than 15 percent of the pension insurance fund income. In 2016 alone, however, seven provinces witnessed a pension insurance fund income shortfall. In Northeast Heilongjiang Province, there was no surplus at all. It tests policymakers' wisdom to maintain the sustainable growth of pension insurance funds without putting a heavy burden on companies, particularly small- and medium-sized firms. Experts warn that it is time to establish a precise and balanced pension insurance system based on the growth rate of average salaries, rate of return on investment and life expectancy, and adjust the premium rate, payment rate and minimum period of payment to maintain a sustainable balance between generations.



Southern People's Weekly

August 14, 2018

Human Test Subjects

For many terminal cancer patients, participating in drug trials is the last resort to obtain potentially life-extending drugs. Some patients have extended their life span by 10 years, but others are not so lucky. Globally, there are thousands of trials for cancer drugs every year, and treatments have become increasingly individualised due to the difference in symptoms, physical conditions, immunity and the phases of illness. In comparison with treatments that are futile, it is even sadder to have no cure at all. In China, many drug test subjects are cancer patients who are unable to afford medical costs. According to the China Food and Drug Administration, China is home to only 251 institutions which are licenced to conduct clinical drug trials. To make matters worse, China has a very low proportion of drug innovators, driving a growing number of terminally ill patients to seek drug trials abroad simply for a chance to survive.



Caijing Magazine

August 23, 2018

Starbucks Delivery

In September 2018, Starbucks began a delivery service in Beijing and Shanghai in collaboration with e-commerce giant Alibaba. The new service is expected to cover 2,000 Starbucks shops in 30 cities nationwide. According to Starbucks' financial report for the first three quarters of 2018, its Chinese market witnessed a drop in sales for the first time in nine years, the worst performance worldwide. Nevertheless, statistics from the International Coffee Organisation show that the growth rate of the global coffee market was two percent in 2017, but Chinese consumption expanded by 15 percent. After explosive growth since its entry into the Chinese market, Starbucks faces new challenges in adapting to the Chinese business landscape, increasing its market share and competing with domestic brands.



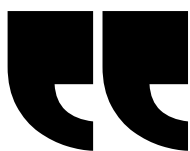
Fangyuan Magazine

August 30, 2018

Fraudsters Nabbed

On November 11, 2017, police in the city of Zhuzhou in Hunan Province nabbed 121 suspects in a massive fraud case in several cities nationwide, although several ring leaders remain at large overseas. On April 25, 2018, the Ministry of Public Security released its Class-A arrest warrants. Police said that from January 2016 to October 2017, the fraud gang swindled at least 650 million yuan (US\$95m) from 1,815 people in 26 provinces nationwide, all of them women. Over the past several years, the gang lured customers from beauty shops with the promise of free overseas trips to destinations including Kuala Lumpur, Bangkok, Tokyo and Dubai, and would then offer them a free medical check. A "doctor" would convince the women they had cancer and offer them treatment – a single injection to "cure cancer" was sold at hundreds of thousands of yuan. Police announced that the desire to get something for nothing was the main reason the victims found themselves entrapped.





WHAT THEY SAY

“Men are getting too lazy to pursue women. They’d rather spend their time working and earning money. Those men prefer hunting for women with money.”

Writer **Sui Muran** (pen name) claiming on his public WeChat account that people are becoming “less emotional” in a money-worshipping society where even love has a price.



ILLUSTRATION BY WU SHANGWEN



“It’s very hard for a regular worker to get rich. No billionaire made it through on their wages alone – with a tax rate of up to 45 percent on salaries. The biggest drawback of China’s tax system is that employees pay tax at a higher rate than the rich whose wealth comes from unearned income.”

Liu Huan, a professor at the School of Public Finance and Tax, Central University of Finance and Economics, suggesting tax authorities focus more on the wealthy, in an interview with online media portal the NetEase Institute.



“Migrant people are like the iron weight of the economic scale. Their living standard directly determines whether or not China can break free from the middle-income trap and their quality directly determines whether or not China’s manufacturing industry can be successfully upgraded and help transforming the country to a middle-class urban society.”

Financial commentator **Ye Tan** warning on her public WeChat account that the new generation of migrants has a bleak future in the cities, as it is difficult for them to integrate into city life.



“Those who never watch the nightly evening news are generally inferior – they aren’t and will never do anything big. People who want to achieve big things have to watch the nightly news.”

Xiang Ligang, CEO of telecommunication portal cctime.com, under fierce public criticism for extolling the virtues of China Central Television’s flagship news programme *Xinwen Lianbo* on his Sina China microblog.



“Innovation is only a nice fruit which won’t ripen unless it’s on the tree of marketisation and freedom. Some people believe that innovation depends on capital and talent, while I find culture and institutions are also musts for innovation. In that way, the fruits of innovation are determined by China’s institutional and cultural innovations.”

Economist **Zhao Xiao** appealing for the government to keep deepening institutional reform on his public WeChat Account.

“Even a whole page is not enough to spike the rumours emerging every month. When there are so many rumours running around, the truth does not even have time to put on its shoes.”

Liu Yadong, editor-in-chief of *Science and Technology Daily*, warning against a lack of scientific rigour among the general public, speaking at the recent 2018 World Forum on Scientific and Technology Innovation held in Beijing.

“As long as there’s demand for ride-sharing, a platform is better than no platform and more than one platform is better than only one. In this case, we can urge the platform in question to improve its services, or we could shift to other ones.”

Ya Shalong (net name), a blogger for financial news portal *Caixin*, discussing ride-hailing platform Didi Chuxing following the news that one of the drivers registered to its Hitch ride-sharing service had allegedly murdered his passenger, a young woman, the second such murder this year.

“In the past, women’s liberation allowed women to get out of the home and participate in society and work. Today’s liberation should allow women to get out of their jobs and encourage them to have a second child. It is also a job [for women] to take good care of their children.”

A controversial statement by **Yuan Ailing**, a professor at the School of Education, South China Normal University, was slammed by the public for wanting to tie women down to childcare, after she explained to the *China Youth Daily* why she suggested extending maternity leave to one year.

“China’s economic policies are so incredibly odd that they’ve encouraged monopolies in many fields, especially in social services. Such monopolies are often involved in the development of the mobile internet and they attempt to defend this monopoly by defining themselves as patriotic national enterprises.”

Economist **Sun Jianbo** appealing for the government to take measures against commercial monopolies on his public WeChat account.



Top Story

Government Reduces Personal Income Tax



The standing committee of China's National People's Congress, China's highest legislative body, passed on August 31 the latest revision to the Personal Income Tax Law which raises the lowest tax base for monthly taxable income from 3,500 yuan (US\$511) to 5,000 yuan (US\$730) as of October 1.

It is believed to be a positive response to the public's long-term demands to reduce personal income tax, as the average monthly wage in many cities, especially large cities, has increased far beyond the current lowest tax band which was set years ago.

The new revision also expands the range of taxable salaries that apply to the lowest

three tax bands (there are altogether seven bands for different wage ranges), to enable more individuals to be in a lower tax band. Meanwhile, a taxpayer's expenditure on children's education, support for senior citizens and mortgage payments – described as “special expenditure” in the revised law – will also be deductible from salaries in a way yet to be determined by the State Council.

Low- and middle-income earners will benefit most. It is estimated that those who earn from 5,000-20,000 yuan (US\$730-2,920) will pay more than 50 percent less income tax after October 1, and those who earn between 20,000-80,000 yuan (US\$2,920-11,680) will pay

10-50 percent less. The State Administration of Taxation also pledged that the additional deductions will be implemented from January 1, 2019.

This is the fourth time China has raised the tax base limit. The last time was in 2011, when the tax base was raised from 2,000 yuan (US\$292) to 3,500 yuan (US\$511). Before the latest revision was published, many people appealed for an even higher base level, but Cheng Lihua, the deputy financial minister, claimed at a press conference that the new lowest tax band matches the current consumption level of urban residents, and they plan to dynamically adjust the base rate based on urban residents' consumption and expenditure.

Impacted by slowing economic growth, the growth in urban residents' disposable income in the first half of 2018, according to the National Bureau of Statistics, dropped by 0.7 percent compared to that of the same period of 2017, accompanied by a drop in slowed consumption, so it is expected that the tax cuts will spur consumption. Analysts said that the amount people will feel able to up their consumption spending largely depends on how the government will deduct the “special expenditure” from taxable salaries and on other relevant policies.

Politics

Pioneering Women

At a special ceremony on Sept 13 organised by the 48 Group Club and the Chinese Chamber of Commerce in the UK, Madam Hu Pinghua, the wife of the Chinese Ambassador Liu Xiaoming, was presented with the Women's Icebreaker Award in recognition of her longstanding work to promote understanding and cultural exchange between the two countries – and particularly their women.

In China, people used to say women

hold up half the sky. In 1949, the All-China Women's Federation was founded to strive for women's liberation and development. The Women's Icebreakers are part of the 48 Group Club, which has worked to promote business and trade between the UK and China since the early pioneers embarked on a historical journey to China before full diplomatic relations were established.

Significantly, the UK side announced that



they are looking to set up a nation-wide entity similar to the All-China Women's Federation.

Diplomacy

Sino-Russian Ties Strengthened

Chinese president Xi Jinping met his Russian counterpart Vladimir Putin in Vladivostok, Russia on September 12 when he attended the fourth Eastern Economic Forum at Moscow's invitation.

This is the Chinese leader's first appearance at the forum which Russia initiated in 2015 with the aim of reviving the economy in Russia's Far East by strengthening regional co-operation.

During the meeting, Xi, according to the Xinhua News Agency, told Putin that it is a good tradition for China and Russia to support each other's major events and that the Eastern Economic Forum will definitely provide new opportunities for Sino-Russian cooperation.

Putin echoed Xi, claiming that Russia will strengthen cooperation with China in multiple fields based on China's Road and Belt Initiative. Putin also pledged that his country will give China more cooperation in "resisting unilateralism."

Xi and Putin have met three times this year so far. Following the latest meeting, China's Ambassador to Russia Li Hui told Xinhua that the Sino-Russian relationship is at its best point in history, and that their enhanced bilateral cooperation has already borne fruit, given that the trade volume between the two countries reached 58.4 billion yuan (US\$8.7b) from January to July, a 25.8 percent year-on-year growth.



Education

Aiming High

The latest Universities UK International report has revealed that a record-breaking one in five overseas students at UK universities is now from China.

It's a welcome financial boon for UK universities that could be at risk of losing significant funding from European Union research programmes.

The only snag with relying on securing even more students from China is that similar nations are masters at the same game. The US, for instance, had 291,000 Chinese students in the 2015-16 academic year compared with Australia at 112,000, with the UK third on some 91,000.

One country snapping at Britain's heels is Canada. The Canadians are keen to point out that the UK's post-study work rights policy is stricter than some of its competitors. Although there are recommendations for change, graduate students can currently stay in the UK for four months after course completion and switch to a "Tier 2" visa if conditions are met.

"Canada has been a major beneficiary of Theresa May's policies," said Alex Usher, President of Canadian firm Higher Education Strategy Associates. "I sympathise with my UK colleagues – all I can say is that Theresa May is one of our greatest resources."

Fashion

Fashion Tie-in

China's growing influence on the global fashion industry was highlighted when major fashion e-commerce website Vip.com became the first Chinese brand to sponsor London Fashion Week (LFW).

Vip showcased four Chinese designers at the event. These were Mukzin, Bailuyu, A Life on the Left and KISSCAT. A live stream of the show on Tencent Fashion clocked up more than 3 million views.

The host of LFW was effusive. "This debut show by Vip.com highlights the growing creative and business relationship between the fashion industries of the UK and China," said British Fashion Council Chief Executive Caroline Rush.

As well as relationships at the industry level, it is hoped that giving Western consumers the opportunity to consider buying quality Chinese clothes and accessories could pave the way for Chinese cultural brands to achieve a long overdue breakthrough in the West.

Trade

China to Import Soybeans from Ethiopia

Chinese enterprises and customers will soon see soybeans from Ethiopia after the Chinese customs authorities signed an agreement with Addis Ababa.

According to a statement from the General Administration of Customs, the new agreement will give China more choice of where to import soybeans from and will better satisfy domestic demand for the crop.

Customs data shows that China imported 95.54 million tons of soybeans in 2017, most of which were from Brazil and the US. However, as the Sino-US trade conflict continued to escalate, China slapped an extra 25 percent tariff increase on US soybean imports in July, leading many domestic processors to explore other sources. Experts predicted a change in global soybean import patterns as a result of China looking to other markets outside the US for its soybean imports.



PHOTOS BY CNS, VCG

'First Class' Advertising Infuriates

For almost a decade, just before the start of the school year in September, Chinese primary and middle school students have been asked to watch a programme called *The First Class of the New Semester*, jointly produced by the Ministry of Education (MoE) and State broadcaster China Central Television (CCTV). The programme is intended to promote positive values before the semester starts. Settling down for the annual programme, parents and children were infuriated after the broadcast was delayed 15 minutes, the gap filled entirely by advertising. CCTV later responded the delay was because the nightly news broadcast had run over. Parents did not buy the explanation, questioning why most of the advertisements in the 15 minutes were for extracurricular classes, on which the MoE had previously announced tightened controls to lighten the burden on students.



No Charges for Machete Killer

What constitutes the legal definition of "justifiable self-defence" has been in the spotlight after a cyclist killed a man who had attacked him with a machete. The fatal road rage incident occurred after the driver of a BMW, Liu Hailong, 36, veered into a bicycle lane and hit 41-year-old electrician Yu Haiming, who was riding an electric bike, in Kunshan, Jiangsu Province, on August 27. Liu, who was reportedly drunk, attacked Yu with a machete from his own car. During the scuffle, Liu dropped the weapon, and Yu picked it up, stabbing Liu five times. Liu died later in hospital. Debate raged online over whether Yu was culpable because he stabbed Liu more than once and chased him as he was trying to flee, or whether he acted in the heat of the moment in fear for his own life after an unjustified attack. Local prosecutors and police finally ruled that Yu had acted in self-defence and would not be charged. Since in China's legal history, courts have rarely delivered a verdict of self-defence in similar circumstances, legal experts believe the Kunshan incident could set a precedent and lead to a broader definition of self-defence.



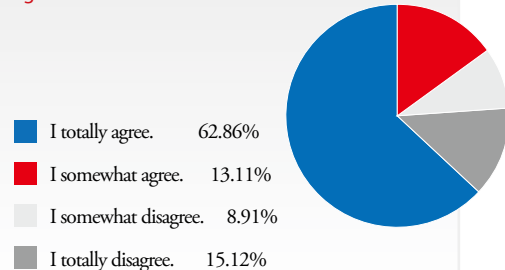
Didi Pressured Over Second Hitch Murder

China's biggest ride-hailing platform Didi Chuxing has come under ferocious public criticism after it allegedly hindered police from tracking a driver who was thought to be assaulting his passenger, a 20-year-old woman surnamed Zhao. Zhao, who had used Didi's ride-sharing service Hitch, was found raped and killed on August 26, her body abandoned in countryside near Wenzhou, Zhejiang Province. Zhao's friend told media that she had received a message from Zhao asking for help, and she quickly called Didi's customer service, but the call centre operator did not provide any practical help and asked her to wait. The friend called police, only to find that Didi refused to tell the officer the driver's car plate number, making it hard to locate the suspect. Netizens were incensed over Didi's perceived indifference towards life, some calling to #DeleteDidi, exclaiming that because the government has indulged its monopoly in the car-hailing sector, the company only cares about profit. Pressured by public criticism after the second murder this year of a young woman using Hitch, traffic authorities in many cities have sent inspectors to Didi, and company executives have made fulsome apologies. Didi has indefinitely suspended its Hitch service, and announced it would be revealing other safety measures.

Poll the People

To cool the overheated housing market, the Chinese government has been trying to promote the rental market by pledging that tenants will have the same rights as homeowners. However, a recent survey by the *Southern Metropolis Daily* showed that even if the government fulfils its promise, only 47.6 percent of the 4,000 respondents believe that renting a home would be the first choice for workers. An overwhelming majority said that living in a rented home does not make them feel secure.

"I have a strong feeling of being adrift when I rent a flat, no matter how long the lease lasts." Do you agree with this statement?



Source: *Southern Metropolis Daily*

Most Circulated Post

Retweeted 89,216 times by September 4

"Which competition are you looking forward to most? Let's cheer on the Chinese athletes."



The 18th Asian Games were held in Jakarta, Indonesia, from August 18 to September 2. Party paper the *People's Daily* posted pictures of Chinese national teams on the first day, appealing for people to pay more attention to the Games and cheer for China's athletes. China eventually topped the table with 289 medals, 132 of which were gold.

TOP FIVE SEARCH QUERIES

On **Baidu** 百度 for the week ending September 8

1

JD Founder Arrested for Alleged Rape 1,729,877

Liu Qiangdong, founder of JD.com, China's second-biggest online shopping site, was recently arrested for allegedly raping a Chinese graduate in Minnesota while participating in a study programme. Liu was released without charge the next day, with JD publicly denying the accusations. Local police said they will file charges if there is evidence to do so.

2

Sex-ratio Imbalance Widens 1,128,376

Chinese experts have warned that Chinese men born after 2000 will have more difficulty finding a partner, after population data revealed there are 13 million fewer women than men in this demographic.

3

Didi Chuxing Allegedly Makes Zero Profit 646,790

An unconfirmed letter sent to staff from Cheng Wei, CEO of China's biggest ride-hailing platform Didi Chuxing, revealed that Didi has not earned even a cent over the past six years. Chinese media reports estimated that Didi's losses over the period were 39 billion yuan (US\$5.8b).

4

Housing Rent Rockets 633,641

In the last two months, many major Chinese cities, including Beijing, Hangzhou and Nanjing saw massive rent hikes. Analysts suspect that some investors and agents are jacking up rents after monopolising the market by purchasing a large number of flats and paying over the odds.

5

Jack Ma to Retire as Alibaba Chief 210,698

Jack Ma, a founder of China's biggest online shopping website Alibaba, announced on September 10 that he will pass his position of chairman of the board to current Alibaba CEO Daniel Zhang in one year. Ma claims that he wants to concentrate on philanthropy.

TOP BLOGGER PROFILE

Gavin Thomas

Followers: 1,769,028 by September 11

Seven-year-old Gavin Thomas, described as the most memed boy on Earth, has hit China after opening a Sina Weibo account on July 12. First shooting to online fame as a two-year-old in 2013, after his uncle started posting pictures of his smiling face on former video-site Vine, Gavin amassed 200,000 followers in his first hour on Sina Weibo. But while many Americans find his smiles adorable, in China, he is known as the boy with a fake smile, as they think he seems embarrassed in some of his videos. After expressing the desire to come to China to meet his fans, and saying that he had participated in a Chinese panda protection programme, Chinese men's clothing brand Peacebird Men offered Gavin the opportunity to visit Beijing and Sichuan Province, so he could see the pandas in person. More Chinese fans flocked to his site, responding to his posts about his Chinese journey enthusiastically with piles of "Gavin stickers."



WHAT'S HOT?



County Cools Desire for Divorce

An Yue, a county in Southwest China's Sichuan Province, has trialed a one-month cooling-off period since March for would-be divorcees if the clerks at the registration bureau deemed the application to be impulsive. If the couple did not return during the period, the divorce would not be granted. After five months, around 90 percent of couples have revoked their divorce application. Netizens were shocked at the data and joked that a cooling-off period before getting hitched was also needed.



Youngsters Try Senior Living

A nursing home in Hangzhou, Zhejiang Province, has set a new business model in the industry after it invited young people to live in the home, offering free rent to anyone who keeps the resident senior citizens company for 20 hours a month. The manager of the home said it would benefit everyone, preventing the seniors from being lonely, and helping out young people with their living expenses. Five young volunteers have joined the programme and said they were quite enjoying being with the senior citizens, media reported. Netizens said they hoped the scheme would quickly spread to other cities and that more professionals will join in to improve the programme and boost communication between the generations.

WHAT'S NOT?



Poles Apart on Kindergarten Dance

A nursery school in southern China's Shenzhen has come under fire after it held a pole-dancing exhibition for children and parents on the first day of the semester. Some parents posted pictures of the pole dance, berating the nursery school for perverting minors. The nursery school later posted a public apology, claiming that they aimed to introduce different dances to children and the performers were invited from professional dance troupes. Some netizens stand on the side of the nursery school, arguing that professional pole dancing has no relationship to pornography, but the majority insisted the performance was misjudged. The headteacher of the nursery school was eventually fired.



Botched Sex-Change Op

Eighteen-year-old Xiaobing (pseudonym) sustained severe injuries to his genitals after allowing someone he met online to perform "gender reassignment" surgery on him. Media reported that Xiaobing had joined an online chat group for transgender people, where he was introduced to his "surgeon," who charged Xiaobing 6,000 yuan (US\$923.1) for the botched operation to remove his testicles, which took place in a hotel. After Xiaobing's parents realised their son was in distress, they took him to hospital where doctors discovered the extent of his injuries. Police arrested the underground "surgeon" who confessed that he learned his technique from watching videos.

SOME OF THE IMAGES USED IN THIS SECTION ARE FROM THE INTERNET

E-commerce Law

TUG OF LAW

The sales volume at Tmall, China's biggest online shopping platform operated by Alibaba, totalled 168.2 billion yuan (US\$25.1b) during its shopping festival, November 11, 2017

PHOTO BY VCG

With the influence of powerful special interests looming large, some question whether China's new E-commerce Law will truly rein in malpractice in the burgeoning sector

By Zhao Yiwei

On August 31, 2018, the E-commerce Law, China's first overarching law governing the e-commerce sector, was passed by the National People's Congress (NPC), China's top legislative body. It will take effect on January 1, 2019.

It came after a tough battle between conflicting interests. Drafting began at the end of 2013, and proposals from the industry association on behalf of companies, and from academics and regulators, were reviewed to produce a draft that was originally submitted for review by lawmakers in late 2016.

It would take three more drafts to pass. Yin Zhongqing, deputy director of the NPC's Financial and Economic Affairs Committee, who was tasked with drafting the law,

pointed out that in China most laws are passed after three readings, but the E-commerce Law failed to get the green light until a fourth.

"The law specifies regulations on platform operations, contracts, dispute settlement and liabilities involved in the e-commerce sector as well as the maintaining of market order," he told a press conference on August 31.

The law aims to "protect consumer rights" and "boost the sound development of the sector" while balancing the legitimate interests of the three parties – e-commerce platforms, vendors and consumers, according to Li Yongjian, an internet economy researcher with the Chinese Academy of Social Sciences.

Whether platforms can be held liable for misconduct on their sites is the most con-

troversial part of the law. According to the third draft, if e-commerce platforms failed to properly examine the qualifications of vendors, or fail to protect consumer safety, they would have been held "jointly liable" for their misdeeds.

But the fourth draft of the law, read on August 27, 2018, included a clause that reduced the liability of e-commerce platforms from "joint liability" to a weaker "supplementary liability." In the legal sense, joint liability allows consumers to take both platforms and vendors to court for damages, while supplementary liability means that consumers can only sue vendors.

That change sparked debate among lawmakers and legal scholars, amid fears that reducing the platforms' liability would leave

consumers poorly protected. Xu Xianming and Cai Fang, two members of the NPC Standing Committee, said the clause had “driven China’s legislation backwards,” and said priority should be given to consumer rights.

A key champion of the supplementary liability clause, Li Yongjian claimed controversies emerged because the original liability and regulation systems had failed to keep up with the changing economic situation and the rapid development of the e-commerce sector. He told *ChinaReport* that for consumers, it is much easier to sue platforms than to sue sellers, but for platforms it would be a heavy operational cost to bear the responsibility of each consumer rights infringement.

“It is lazy governance and a lack of fairness if platforms are held accountable for all violations,” said Liu Kaixiang, a commercial law professor at Peking University. He told our reporter that platforms should ensure safety and that vendors were vetted, as well as bear supplementary liability, arguing that if platforms can demonstrate they have met these responsibilities and committed no faults, they should be immune from liability.

Platform Liability

The day before the draft was delivered to the NPC, the clause underwent yet another revision – and “corresponding liability” was eventually added to the final law.

“The revision process turned out to be a tug of war among various parties,” Yin Zhongqing said. “Platforms insisted that joint liability was too stringent. Supplementary liability was also lambasted for being too lenient to platforms. Corresponding liability is a relative balance of different voices.”

According to Shi Jianzhong, a law professor at the China University of Political Science and Law, “corresponding liability” involves various types of responsibility and methods of bearing responsibility, but the clause is not very clear or definite. The unclear wording will increase the cost of making claims, meaning consumer rights are poorly protected. Shi said corresponding liability includes, but is not limited to supplementary

liability, and it even includes joint liability. From a legal perspective, he added, the revision does amount to progress.

Consumer Rights

According to Liu Kaixiang, the new E-commerce Law draws on other legal clauses when judgements of specific cases are involved. Liu says the law weighs the liability of both platforms and vendors and highlights consumer rights.

It stipulates that platforms should establish complete credit systems and should not delete any comments from consumers. Meanwhile, platforms should display search results for commodities and clearly label products of paid listings as advertisements. In addition, internet payment platforms should be held accountable when consumers suffer a loss from transactions due to payment instruction errors.

The law also requires platform operators to strictly abide by laws and regulations when accessing and using the personal information of users, placing emphasis on consumer privacy. Operators are prohibited from commercial acts of tie-in sales and cannot assume the consent of users.

Platform operators could face a penalty of between 500,000 yuan (US\$73,000) and two million yuan (US\$290,000) for unreasonably restricting transactions on platforms, or failing to take necessary steps against intellectual property infringement by vendors on their platforms in cases they are aware of or should be aware of. E-commerce platforms face fines of up to 500,000 yuan (US\$74,626.9) if they delete negative reviews on products sold on their platforms.

“E-commerce involves many fields and loopholes will naturally emerge if the market is under the regulation of a single law,” Li Yongjian, an internet economy researcher with the Chinese Academy of Social Sciences, told *ChinaReport*. He said that although the E-commerce Law focuses on the retail market, it actually applies to virtually all fields in the sector. Products and services sold on the platform are both regulated in the same way, without attention to

their variety and difference.

The law has vague clauses concerning the responsibilities of takeout food platforms and ride-hailing platforms, which are highly likely to result in disputes. But Li says when disputes arise, the law has a limited legal reference value and the supervision and penalties have to be conducted in line with related laws by related agencies.

In terms of rights, the current clauses in the E-commerce Law are apparently not useful to solve the bulk of complicated disputes. There is consensus to encourage the establishment of third-party dispute settlement agencies and the platform’s own dispute settlement mechanisms.

According to a recent report released by China’s Ministry of Commerce, e-commerce trade amounted to 29.16 trillion yuan (US\$4.26t) in 2017, an increase of 11.7 percent year-on-year. Statistics from www.100EC.cn, an online sales dispute settlement platform, showed that alongside China’s expanding e-commerce market, disputes between consumers and platforms or vendors have been on the rise – complaints about retail e-commerce accounted for more than 60 percent of total e-commerce complaints in the first half of 2018.

“Most e-commerce disputes can be solved by platform self-regulation mechanisms after negotiations, so we wouldn’t need to waste judicial resources,” Li Yongjian said. He suggested the government establish social welfare institutions to take care of disputes and encourage e-commerce platforms to set up three-party mediation mechanisms such as the dispute settlement mechanism on Alibaba’s Taobao, China’s dominant e-commerce platform.

“Most clauses in the E-commerce Law are not mandatory, so their effectiveness in solving disputes will be limited,” Liu Kaixiang said. “The e-commerce sector involves many departments, laws and regulations, and it’s difficult to coordinate the interests of all of them. That’s why it is impossible to make the law comprehensive. The only hope we have for the law is its role in guiding the sound and orderly development of the sector.” ★



China-Africa Relations

Boarding the Development Express

Beijing has reiterated its commitment to China-Africa cooperation with another US\$60-billion development package

By Xiao Xin

The Beijing Summit of the Forum on China-Africa Cooperation (FOCAC) is held at the Great Hall of People, Beijing, from September 3 to 4

On September 3 and 4, the Beijing Summit of the Forum on China-Africa Cooperation (FOCAC), seen as China's most important diplomatic event this year, was held in Beijing. Featuring 53 out of 54 African counties, (except eSwatini formerly Swaziland, which maintains diplomatic relations with Taipei,) along with the African Union, the Beijing FOCAC Summit was the biggest since it was established in 2000.

'Common Destiny'

As expected, Chinese President Xi Jinping delivered a keynote speech reiterating the "common destiny" of China and Africa, a concept that has developed into a cornerstone of China's global diplomacy over the past couple of years.

Highlighting common threats he said both China and Africa face, including "hegemony and power politics," "protectionism and unilateralism," Xi pledged the nation would "work with Africa to achieve our shared goal of building a closer China-Africa

community with a shared future and turn it into a pacesetter for building such a community for mankind."

As the trade war between China and the US intensifies, there is no doubt that Xi's rhetoric refers to the US. Both China and Africa will suffer from this trade war, said Liu Guijin, who served as the first Special Representative of the Chinese Government for African Affairs between 2007 and 2012. "Protectionism and unilateralism will be a common problem faced by both China and Africa in the future," he noted.

During his speech, Xi unveiled a new US\$60 billion loan and aid package to support the development of African countries, which includes US\$15 billion in grants, interest-free loans and concessional loans, US\$20 billion in credit lines, a US\$10 billion special fund for development financing and a US\$5 billion special fund for financing imports from Africa.

Xi added that China would erase the debt incurred by interest-free Chinese government loans due to mature at the end of 2018 for

Africa's "least developed countries, heavily indebted and poor countries, landlocked developing countries and small island developing countries."

The pledge came on top of an earlier US\$60 billion promise made during the Johannesburg FOCAC summit held in 2015. Xi said the projects under the earlier package had either been delivered or arranged.

In the following years, China will take the initiative in eight areas of China-Africa cooperation, and provide US\$147 million in emergency food aid, send 500 agricultural experts to Africa and provide scholarships, vocational training and trade promotion opportunities, Xi said.

Different Mix

While China's financial commitment to Africa has remained the same, there have been noticeable changes in its composition. The total in grants, zero-interest loans, concessional loans, and credit lines has decreased from US\$40 billion in 2015 to US\$35 billion. Concessional loans are now in the

same category as grants and zero-interest loans, instead of combined with export credits as they were three years ago.

According to Yang Baorong, an associate research fellow in African studies from the Chinese Academy of Social Sciences, the changes come in response to the dynamics of many African countries' economic situations. Yang said that in the early 2010s, rapid economic growth came from rising prices for energy and commodities (a major component of Africa's exports), and China has primarily focused on promoting trade with African countries.

But more recently, many African countries have seen an exodus of international capital resulting from a strong US dollar. The increased trade deficit with China has also sparked local criticism. Yang said that by reducing grants and loans and creating a special fund for developing and financing imports from Africa, China has adapted its policy to foster African industrial development and address these issues.

In his speech, Xi also pledged that China would "increase imports, particularly non-resource products." To achieve this goal, Xi said China would launch a trade facilitation initiative and implement 50 trade facilitation programmes for Africa. Some of the efforts may have taken effect. In 2017, China-Africa trade volume hit US\$170 billion, up 14 percent from 2016. In the meantime, Africa's trade deficit to China reduced to US\$19.5 billion, a 45 percent drop on the previous year.

Nearly two decades since FOCAC began, the focus of China-Africa cooperation has in more recent years shifted from trade to industrial cooperation, Liu said. In the past, Chinese investment was often government-driven, and was typically characterised by mega-projects for which China provided all the necessary equipment and labour. Cooperation has become increasingly market-oriented, he claimed. Instead of focusing on deals and individual projects, policymakers from both sides now aim to improve the overall trade and investment environment, which Liu said would foster more Chinese investment and boost local employment.

"After 40 years of reform, China has accumulated a large volume of industrial ca-

capacity, while many African countries are still in the initial phase of their industrialisation. Industrial cooperation between the sides will be mutually beneficial," Liu said.

More specifically, Xi proposed an "investment-construction-operation model." Under this model, China will help African countries to build industrial parks which will be equipped with necessary infrastructure facilities, such as energy, water and roads.

"A major challenge many African countries face is the inadequate development of infrastructure and supply chains, which makes it difficult for international capital to find a viable way to invest," Yang Baorong told *ChinaReport*. "The investment-construction-operation model will solve this problem, which has proved to be effective in China's own development experience."

With the new approach, Liu estimated that China's total investment in Africa will increase from US\$32.4 billion in 2014 to US\$100 billion in 2020. In his speech, Xi also pledged that China would "encourage Chinese companies to make at least US\$10 billion of investment in Africa in the next three years."

Responding to Xi's speech, Xu Jinghu, the current Special Representative of the Chinese Government for African Affairs, told media on September 4 that China's focus in its future cooperation with Africa will be the sustainability and feasibility of projects.

"African countries are now striving to achieve industrialisation, modernisation and diversification of their economies, but their efforts have been hampered by the lack of capital, talent and construction," Xu said. "China will strive to help Africa address these bottlenecks thorough discussion with our African counterparts."

Belt and Road

The policy fine-tuning also suggests China remains committed to extending its Belt and Road Initiative into the continent. In his speech, Xi said that China's Belt and Road Initiative would complement the African Union's Agenda 2063, and presents Africa a major opportunity for development. "We welcome African countries aboard the express train of China's development," Xi said.

Under the Belt and Road Initiative, Xi

said China would launch an infrastructure connectivity initiative and formulate a China-Africa infrastructure cooperation plan with the African Union to enhance cooperation on energy, transport, information, telecommunications and cross-border water resources.

Despite criticism and doubt from commentators over China's strategic intentions, Xi's pledge was largely welcomed by African participants in the FOCAC summit.

"The Belt and Road Initiative is compatible with the development and poverty alleviation goals of African countries," Candith Kwati Mashego-Dlamini, Deputy Minister of Rural Development and Land Reform in South Africa, told *ChinaReport*.

"We are fully aware of the fact that future economic development needs infrastructure establishment such as ports, roads and airports," she added.

"The Belt and Road Initiative is a very important strategic thought, which formulates a platform for different countries to cooperate with each other," said Adekunle Joliff Milton King, Minister of Labour and Social Security of Sierra Leone. "The initiative reflects true leadership that shows the spirit of sharing."

Liu Guijin told *ChinaReport* that when China first launched the Belt and Road Initiative, African countries were among the most enthusiastic participants, and Africa has become an important component of the initiative's landscape.

In the past, cooperation between China and Africa has expanded from the infrastructure sector to the finance sector. In 2015, China signed a three-year currency swap deal worth US\$4.8 billion with South Africa. Earlier in May, Nigeria and China agreed on a currency-swap worth US\$2.4 billion.

It was also reported that the central bank and government officials from 14 African countries discussed using the Chinese yuan as a reserve currency in the region at a meeting in late May.

"With China's new commitment, the China-Africa relationship may experience an upgrade and enter a new period in the coming years," Liu said. ★



PHOTO BY ZHEN HONGGE

Workers at an opticians inside Ryugyong General Ophthalmic Hospital in Pyongyang, North Korea



North Korean leader Kim Jong-un and his wife Ri Sol-ju visit a factory in August

GROWING PAINS

A patient gets a CT scan at Okryu Children's Hospital in Pyongyang, North Korea



PHOTO BY ZHEN HONGGE

Children play at Kim Il-sung University in Pyongyang, North Korea





PHOTO BY ZHEN HONGGE



PHOTO BY ZHEN HONGGE

Primary students at Mangyongdae Children's Palace in Pyongyang, North Korea

North Korea has signalled it no longer wants to go it alone, but as international sanctions continue, its shift to a growth-led economic model may founder



PHOTO BY ZHEN HONGGE

Pyongyang Taedong River Seafood Restaurant, North Korea

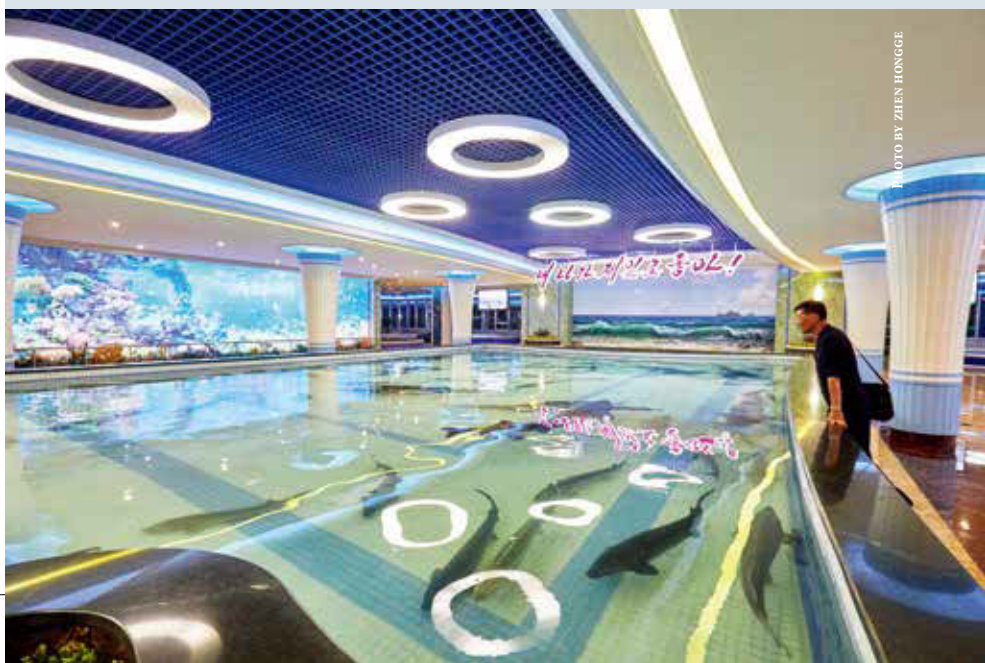


PHOTO BY ZHEN HONGGE

North Korea

Switching Gears

If talks with the US continue to stall, North Korea's new strategic shift from military first to economic development may have nowhere to go

By Yu Xiaodong and Xu Fangqing

Im Ui-ung, manager of a shoe company in Pyongyang, is brimming with confidence. “Our target,” he told *ChinaReport*, “is to sell our products overseas by 2020.” The factory is one of a couple of dozen factories visited by North Korean leader Kim Jong-un in recent months. Like many other businesses in the country, Im said the factory has suffered major power outages. But after Kim announced his new policy that focuses on economic development in 2017, Im said the power supply has improved and production at the factory doubled.

While Im's optimism about the factory's future in the

international market could be genuine, given Kim's recent efforts to steer the country towards a new strategic goal of economic development, the prospect of being able to access it by 2020 may just be pie in the sky as negotiations on denuclearisation have stalled in the wake of the high-profile summit between Kim and US President Donald Trump in Singapore in June.

Kim's New Focus

In the last two years, Pyongyang has severely strained its relationships with not just the US and its regional neighbours including



PHOTO BY ZHEN HONGGE

A huge LED display of the North Korean flag on the side of the iconic Ryugyong Hotel, which has yet to open 30 years after construction started, Pyongyang, North Korea

China after a series of nuclear tests and missile launches, which has resulted in several rounds of increasingly strict sanctions on the country.

But starting in late 2017, Kim Jong-un has repeatedly pledged that North Korea will shift its strategic focus from its military first policy to economic development.

Following a keynote speech in 2017 that stressed the importance of economic development, Kim officially declared in his New Year speech, delivered in January 2018, that the goal of his “parallel” policy – developing the economy and nuclear weapons, which he announced in 2013 – had been achieved and that

his party would now concentrate all efforts on “socialist economic construction.”

In the meantime, Pyongyang appears to have drastically changed its stance on the nuclear issue. In the following months, Kim held a total of six top-level meetings with leaders from the US, China and South Korea, including two summits with South Korean President Moon Jae-in in April and May, the summit with Trump on June 12 and three meetings with Chinese President Xi Jinping.

With a new strategic shift and a pledge to commit to the “complete denuclearisation of the Korean Peninsula” made during his summit



People at a bus station in Pyongyang, North Korea



Passengers read newspapers at a subway station in Pyongyang, North Korea

with Trump, it is clear that Kim has tried to soften the international and bilateral sanctions to help with its new economic development strategy. Following the summits, Kim embarked on tours of some 20 factories, farms and construction projects. During many of these visits, Kim lashed out at poor management of the facilities, according to North Korean media reports. This was in sharp contrast with reports on Kim's visits in previous years, which tended to focus on showcasing the country's prowess and achievements.

Analysts believe that Kim's recent visits and the message he delivered during these trips have both empirical and symbolic significance, and that he has both the domestic and international audience in mind. Domestically, Kim's visits and criticism may serve to change the decades-long doctrine that prioritised military buildup at the cost of economic development which was central to North Korea for so many years.

It is estimated that North Korea's military expenditure in past years consistently amounted to more than 20 percent of its annual GDP. By lashing out at the way domestic industry is managed, Kim may be sending a strong political message to his people in order to push forward his new policy agendas. When *ChinaReport* visited Pyongyang in August, many of the propaganda slogans that previously focused

on political and military agendas displayed on the streets had been replaced by those exhorting economic growth.

Kim's economic growth agenda was also frequently mentioned by the North Korean minders that accompanied *ChinaReport* reporters during their visit. Even a military officer stationed at the Panmunjom Truce Village in the Demilitarised Zone (DMZ) between the two Koreas, stressed that the DMZ has now become "the starting point of peace and prosperity," echoing Kim's words when he met Moon in Panmunjom in April.

Moreover, Kim's selection of facilities to visit also highlighted the sectors prioritised under his new policy. For example, one of Kim's most salient visits was to a hydroelectric dam under construction in July, where Kim reportedly became furious after learning that after 17 years, construction was still unfinished. For years, North Korea has suffered from nationwide power shortages. During his keynote speech in 2017, Kim highlighted that an adequate power supply is the "prerequisite" for economic growth, and would be given top priority under his new policy.

For many analysts, Kim's recent frequent field trips and repeated rhetoric on the importance of economic development also serve to send a signal to international society that Pyongyang is serious about



PHOTO BY ZHEN HONGGE



PHOTO BY ZHEN HONGGE

Workers at a shoe factory in Pyongyang, North Korea

making compromises on its nuclear programmes, provided that the right incentives, such as the lifting of sanctions and financial support, are offered. “Kim is trying to show that he is a rational player that can make rational deals [with the US],” Zheng Jiyong, a professor and director of the Centre for Korean Studies at the Shanghai-based Fudan University told *ChinaReport*.

Autonomous Development?

But so far, Kim’s efforts have not been matched by concrete results, at least from the US. On August 24, Washington abruptly cancelled Secretary of State Mike Pompeo’s planned visit to Pyongyang.

With the prospect of a deal with the US remaining a distant possibility, Pyongyang has been trying to increase cooperation with other players in the region, particularly South Korea, in areas outside the scope of the UN sanctions.

Tourism in particular, has been emphasised. In the first half of 2018, Kim twice visited Wonsan, a seaside city on the east coast some 180 kilometres from Pyongyang. Kim’s visits were highlighting the importance of a major tourism project under construction that aims to build the coastal city into a resort town. However, without cooperation with other countries, the prospects for tourism are lim-

ited. In 2015, North Korea set an ambitious goal to attract one million foreign tourists in 2020, and two million in 2030. But the reality is that only about 100,000 foreign tourists, mostly Chinese, visited the country in 2017.

Following the April Kim-Moon summit, during which the two sides agreed to work towards bringing a formal end to the Korean War (there is still only an armistice agreement), North Korea called on the South to resume their earlier economic cooperation at the Mount Kumgang resort, near the border, and the Kaesong Industrial Region near Panmunjom. The Mount Kumgang resort was built by South Korea’s Hyundai Group in 1998 for foreign tourists, mainly South Koreans who would stay in a strictly designated area. But after receiving about a million tourists, the programme was terminated in 2008 when a 53-year-old female tourist from the South was shot dead by a North Korean soldier guarding the resort when she wandered into a forbidden area. The resort has been abandoned ever since. The joint Kaesong Industrial Region was launched in 2002, but was also closed by South Korea under the administration of former president Park Geun-hye in 2016, after Pyongyang conducted a hydrogen bomb test in January 2016.

Pyongyang’s efforts to resume economic cooperation with Seoul



PHOTO BY ZHEN HONGGE

A girl on a swing at a nursery school in Pyongyang, North Korea

immediately raised alarm in Washington. It was reported that at a meeting in June, Mark Lambert, the US State Department's special director for Korean affairs, warned Hyundai Group executives that South Korea should not resume economic cooperation. Possibly under US pressure, the South Korean government turned down an application filed by 153 entrepreneurs to visit North Korea in July.

In the meantime, the US is also exerting pressure on other countries in the region that are seeking to improve ties with North Korea. Not only has Trump again accused China of undermining the US talks with North Korea, Washington has reportedly showed irritation over an alleged "secret" meeting between North Korea and Japan held in Vietnam in July.

Although there may be a glimmer of hope if a second Kim-Trump summit does take place, Kim's next planned meeting with South Korean leader Moon Jae-in may offer some new hopes. Moon is set to

visit Pyongyang from September 18-20, the third meeting between the two this year. Unlike the Trump administration, whose policy towards Pyongyang is preoccupied with denuclearisation, Moon's administration is focusing on improving ties with its northern neighbour in a more general sense.

South Korea's Role

South Korean President Moon himself has also shown strong commitment to pushing forward the talks between Pyongyang and Washington. In a speech on South Korea's Liberation Day on August 15, Moon projected a bright future for inter-Korean cooperation. Citing research by a South Korean State-run organisation, Moon said that inter-Korean economic cooperation could generate at least 170 trillion won (US\$151.5b) over the next 30 years.

Specifically mentioning the two joint projects that Kim called on Seoul to resume, Moon said the two countries will benefit from "reconnected inter-Korean railroads and certain natural resource development projects, in addition to the resumption of the operation of the Kaesong Industrial Complex and Mount Kumgang tours."

Regarding his third meeting with Kim, Moon said on September 5 that the summit offers high expectations for the denuclearisation of the Korean Peninsula, and that he hoped that "talks between North Korea and the US to achieve that goal could be facilitated."

But despite Moon's efforts, he is unable to solve the fundamental gap between the principal rationale adopted by Pyongyang and Washington during their talks. While North Korea has insisted on a phased approach, demanding the US offers reciprocal rewards for every step it takes in the denuclearisation process, the US has refused to lift any sanctions before major progress has been made, following its approach of a "complete, verified, and irreversible" denuclearisation.

It was earlier reported that US Secretary of State Pompeo has demanded Pyongyang provide a list of nuclear sites and a timeline for denuclearisation, something North Korea has rejected. According to North Korea's reciprocity principle, a timeline for denuclearisation would have to be met with a timeline of rewards such as lifting sanctions. From this perspective, the results from the third Kim-Moon summit may be very limited.

In its grand military parade to celebrate the 70th anniversary of the nation's founding on September 9, North Korea decided not to display its nuclear missiles, which it had done several times in previous parades. Praising North Korea's decision, the White House also said that it had received a "warm letter" from Kim and that negotiations on a second summit were underway. While it offered new hope for concrete progress in the nuclear talks, few analysts are as optimistic as they were before the first Kim-Trump summit.

According to Zheng Jiyong, as long as the international and bilateral sanctions imposed on North Korea are still in position, there is very little that Kim's new economic policy can achieve. "[Without the lifting of sanctions,] North Korea's economy can only be maintained at an above starvation level at best," Zheng said. ★



North Korea

Does Kim Mean Business?

While the much-heralded meeting between the US and North Korean leaders seems to have come to naught, how can Pyongyang refocus its efforts on economic development under the current sanctions regime? *ChinaReport* asked North Korea expert Zheng Jiyong for his insights

By Xu Fangqing

PHOTO BY ZHEN HONGGE

A view from the Tower of the Juche Ideology in Pyongyang, North Korea

Since North Korean leader Kim Jong-un declared a policy shift in May 2017, announcing the country's new focus is economic development, he has made some dramatic moves regarding its relationship with South Korea and the US. Following a landmark summit with South Korean leader Moon Jae-in in April, Kim met with US President Donald Trump on June 12 in Singapore. Pledging to work towards "complete denuclearisation of the Korean Peninsula," the summit initially led to hopes of a breakthrough in the decades-long hostility between the two sides

So far, there has been little progress between Pyongyang and Washington, with Trump on August 24 abruptly cancelling a scheduled visit by US Secretary of State Mike Pompeo to North Korea. While Trump complained there had not been sufficient progress, Pyongyang accused the US of "double dealing." This leaves the two sides, once again, in stalemate.

With international sanctions still in place, a question hangs over whether North Korea's new push for economic growth is sustainable. Will Pyongyang return to a path of confrontation if its diplo-

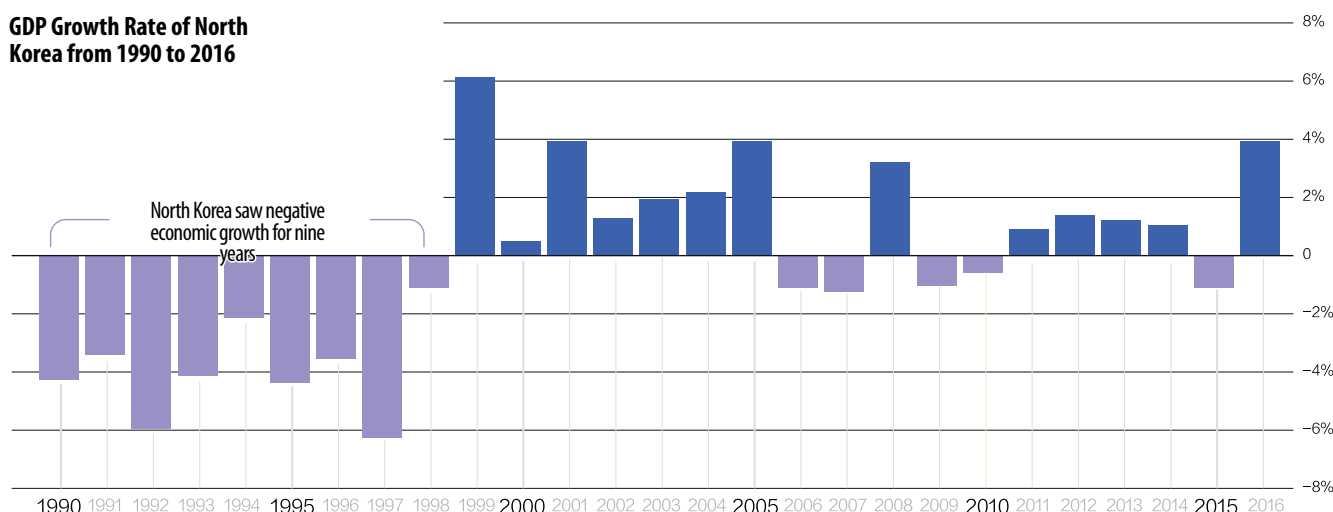
matic rapprochement with the US fails to lead to immediate benefits? *ChinaReport* asked Zheng Jiyong, a professor and director of the Centre for Korean Studies at Shanghai-based Fudan University, to share his insights on the prospects for Pyongyang's policy shift to economic development. Zheng has visited North Korea many times, including a recent visit to Pyongyang in August, which focused on North Korea's economic development.

ChinaReport: Do you think the North Korean leadership is serious about its pledge that economic development and improving people's livelihoods are its policy priorities?

Zheng Jiyong: Yes, I believe so. In the past, North Korea has ed 'monumental projects,' such as Ryomyong Street [a showpiece urban development] in central Pyongyang, and power plants, which were mostly constructed in a campaign style with much political consideration behind them. Many of these projects are actually beyond the economic strength of the country.

After finishing these monumental projects which serve to embody

GDP Growth Rate of North Korea from 1990 to 2016



Source: Pangoal Institute

the 'greatness' of its supreme leader, Pyongyang now needs to work to meet the needs of its people, or in North Korean rhetoric, to let people to feel the 'kindness' of its leader. Even Kim Jong-un said that 'people's livelihood is the biggest politics.' On Pyongyang's streets, many slogans which used to emphasise the need for military build-up have now been replaced with ones urging economic development. I believe North Korea's policy commitment towards economic development is quite strong.

CR: Do you think there is a long-term plan behind North Korea's new focus on its economy?

ZJ: During the 7th Congress of the Workers' Party of Korea, the ruling party of North Korea, held in May 2016, Kim proposed a five-year strategic plan for the country's economic development between 2016 and 2020, covering a wide range of sectors. Addressing the country's power shortages was its immediate focus.

CR: Was the plan based on the current international environment it faces or was it made on the assumption that international sanctions would be lifted?

ZJ: I think North Korean leaders planned for both. After the meeting between Kim and South Korean leader Moon Jae-in in Panmunjom in April, Pyongyang had high hopes that some of the sanctions would be lifted. But as this has proved too optimistic, Pyongyang has resorted to autonomous development.

CR: Do you think this is the major driving force behind North Korea's recent pledge to denuclearise?

ZJ: I think so. This is why it won't be possible to have North Korea give up its nuclear weapons in the short term. Without a tit-for-tat scheme of mutual compromises, North Korea considering

abandoning its nuclear programmes would be a complete surrender to the US. North Korea expects to be rewarded for whatever it gives up at every step of the denuclearisation process.

CR: Many have compared North Korea's economic plan to the Vietnamese model. How would you categorise the North Korean approach?

ZJ: As the strict sanctions imposed by the United Nations are still in place, it's too early to discuss which model North Korea will adopt. The security of the state remains the top priority for the North Korean leadership. We can say that North Korea is adjusting its policies, but its strategic focus remains on strengthening the country, which includes safeguarding the security and stability of the state, and then comes promoting economic development. For this reason, some have compared North Korea's model to a mosquito net, which allows air in, but not 'mosquitoes.' I think North Korea would prefer to set up special economic zones – it did set up the Rason Special Economic Zone in 1992. But without a able international environment, this approach won't get far. Given the uniqueness of North Korea, you can't compare it to any other country.

CR: Since international sanctions will not be lifted soon, does that mean the significance of North Korea's policy shift to economic development will not achieve much?

ZJ: Yes, this is exactly the situation Pyongyang has found itself in. Although North Korea has showed some goodwill, there is no sign that the US will lift the sanctions. On the contrary, the US appears to be expanding sanctions against Pyongyang.

If the sanctions aren't lifted, North Korea's economic development will only proceed at a minimal level. But so far, North Korea has been trying to increase its cooperation with other countries in the areas least impacted by



Students study at Mangyongdae Children's Palace in Pyongyang, North Korea



PHOTO BY ZHEN HONGGE

A passenger inside a subway train in Pyongyang, North Korea

sanctions, such as tourism and cultural and sports exchanges. The tourist industry is considered to have the most potential. But even development of this sector has come under pressure from the US.

The question for the international community now is whether it should consider making a gesture to respond to North Korea's goodwill. A major concern is that if North Korea sees no benefits for its

perceived compromises, there will be no incentives for it to push forward the process of denuclearisation.

CR: But for many, the concern is that once the sanctions are lifted and North Korea achieves some economic development, it could restart its nuclear programmes. Is this a reasonable concern?

ZJ: The concern does have merit based on conventional wisdom, but personally, I don't think North Korea will take that path, as it has become very clear to the North Korean leadership that if it does not change course regarding the nuclear issue, what it would gain, economically or politically, will be minimal.

Since he assumed power in 2012, Kim has taken a trial-and-error approach. In the past, he adopted a confrontational policy, conducting several rounds of nuclear tests and missile launches. This path has proven to be a dead end. North Korea's recent rhetoric showed a notable shift in that it is striving to be considered a 'normal' country. It's obvious Pyongyang is using the denuclearisation issue as a bargaining chip to achieve its economic goals. This is also how North Korea intends to show that the country's leadership can think and behave rationally and is capable of making deals with other countries – not only ordinary deals but also ambitious, bold deals. All in all, I think the process of denuclearisation may take a long time, there may be major setbacks, but it is unlikely North Korea will return to the path of provocative confrontation through nuclear tests and missile launches. ★



Summer Camps

CAMP HOPE

Study tourism and summer camps are pushing middle-class Chinese families to the financial brink as they fight to help their children get ahead – but many don't pass muster

By Qian Wei and Yi Ziyi

Chinese parents want to give their children the best. But these days they are under growing pressure to send their kids to costly summer camps, under the impression it will help them stand out from the crowd.

Last year, a viral article headlined “A White-Collar Mother Cannot

Afford a Child's Summer” told the story of a mother on an impressive monthly salary of 30,000 yuan (US\$4,411) who spent 20,000 yuan (US\$2,941) to send her teenage daughter on a 10-day US study tour.

Online, middle-class parents said they faced the same dilemma: with so many families sending their children to costly camps in China



PHOTO BY VCG

A summer camp organised by Fun Game Gym, a Beijing-based sports company which was recently involved in a sexual harassment case. In August, one of its coaches was accused of sexually assaulting 12-year-old twin sisters during a summer camp

or overseas, those who don't worry their children will fall behind.

Some one million Chinese children are expected to go on an overseas study tour in 2018, with revenue from the industry set to exceed 30 billion (US\$4.8b), according to the 2017-2018 Study Tour Market Report issued by online travel platform Ctrip. Analysts say the study tour market, both foreign and domestic, will grow to 400 billion yuan (US\$58b) over the next five-to-10 years.

Summer Dilemma

The number of students who went abroad for study tours last year went up nearly 40 percent on the previous year, according to Education First, a Sweden-based English language education and travel company which has branches in China.

Tours to the US, UK and other developed countries typically cost between US\$5,000 and US\$8,000. They usually last two to four weeks and include university visits, language learning, sitting in on lessons in local schools, travel and homestays. Parents see overseas

camps as an opportunity for their children to practise the English language, increase exposure to Western culture and lifestyles and improve their social skills and independence.

Many parents now regard them as an essential part of their children's education. In a University of Illinois study of Chinese overseas study tours, researchers interviewed 30 Chinese participants and 20 of their parents. Parents said they hoped the experience would improve their children's English language skills, enrich their life experiences and foster a "global perspective" that would increase their competitiveness in the job market after college.

In April, Xi'an mother Yang Nan decided to send her 14-year-old daughter on a two-week US study tour.

"The school told us about the programme. It was extremely popular among students. Only straight-A students or those who had hosted American students before had the chance to apply for it. The competition was really fierce," Yang told *ChinaReport*. Having hosted an American student at their home last year, her daughter was allowed to apply.

The opportunity did not come cheap. It cost Yang 40,000 yuan (US\$5,882) to cover the basic expenses, including the camp fee, visa application and homestay.

"Of course I hesitated at first. But many of my daughters' classmates have been on overseas trips and some go regularly. Schools also encourage students to go. I hoped the trip would broaden my child's outlook and improve her understanding of the world. So I paid, even though it cost a lot," Yang said.

"My son went on a 15-day study tour to the UK this summer which cost me 30,000 yuan (US\$4,411). During the tour, he lived with a local family and studied at a local school – the environment was a good place for him to practise his English. Summer is a season for 'burning money.' I can't imagine how much money I've invested in my son's summer," said Wang Zhen, whose 11-year-old son now studies in a public primary school in Wuhan, Hubei Province.

Students who don't go abroad might feel left out when their peers speak excitedly of their experiences. A recent viral article headlined "My Son is the Only One in His Class Who Has Never Been Abroad" told the story of a mother from Hangzhou, Zhejiang Province, who faced a similar dilemma in sending her 12-year-old son on a two-week UK study tour.

"It's 30,000 yuan – three times my monthly salary!" the mother said. But she felt conflicted because her son was the only one in his class who had never been abroad. At the beginning of every new semester, classmates would communicate their overseas experiences with excitement, and her son could not join in. "My son never complained. But I could feel his disappointment. His biggest wish was to go to an overseas summer camp with his classmates," she says, eventually deciding to pay up to fulfil her son's wish.



Children participate in a summer camp activity in Beijing as their parents look on, August 14, 2018

PHOTO BY CNS

dent of the CCEA. “Of the 160 million primary and secondary school students in China, 30 percent are from urban families with enough spending power to afford camps – about 48 million. The biggest camp organisation can only take 10,000 children a year. It’s a huge blue ocean [a market with little competition] for industry players,” Chen told *ChinaReport*.

With little regulation to speak of, the market has virtually no barriers to entry. “Anyone can organise a camp as long as they have facilities, staff and a means of getting customers,” Chen said. Schools, training organisations, travel agencies, internet companies and even former unemployed spouses

are competing for a piece of the pie. They can begin operation the day they register their companies, no questions asked, and usually promote themselves with official WeChat accounts.

In the real world, this means organisers tend to have little in the way of experience or training. “Organising camps is time-consuming and hard. You have to contend with all kinds of possible accidents,” said Lin Hui, a former camp organiser. She described how on one of her camps a child was almost left behind when everyone else had boarded a bus that was about to leave.

“It’s similar to running a school or hospital. You need real passion and responsibility to do it. It won’t work if you only care about profits. In this industry, a branded company is not necessarily a guarantee of good quality – while many small organisations are actually trustworthy,” Lin said.

The peak season for the study tour industry is relatively short, Lin added, since most camps are only organised in summer and winter holidays. Many companies cannot afford full-time employees, meaning lots of domestic camps are led by part-time tutors, which inevitably impacts the quality of programmes and increases safety risks.

Wang Dandan, a mother of three who has lived in the US for more than a decade, visited dozens of camps there before choosing a suitable one for her kids. She opened an official WeChat account called “Wanshulu” to share her experiences with other Chinese parents.

Many domestic camps boast that their facilities are better than those in the US. But Wang says that the most reputable US camps depend not on advanced facilities but the quality of their tutors.

Wild Growth

Study tours in China have an interesting history. China inherited the practice from the former USSR in the 1950s, when a handful of Chinese teenagers were chosen to join Soviet pioneer camps, coordinated by Vladimir Lenin’s Young Pioneer organisation.

Learning from the Soviet approach, China launched a series of free, government-funded local camps to reward top students. In the eyes of the older generation, these camps were a privileged experience.

Ever since the national college entrance examination or *gaokao* resumed in 1977, there has been a strong emphasis on tests and academic performance. Hundreds of millions of parents regard the *gaokao* as the chief way to help their children climb the social ladder.

In recent decades, with middle-class city-dwellers getting wealthier and better-educated, parents are getting more interested in extra-curricular subjects such as arts, sports and outdoor activities to equip their children with a well-rounded education.

In December 2016, the Ministry of Education and 10 other ministries released a statement promoting study tours for primary and secondary school students, a ground-breaking policy that greatly boosted the industry.

“Wild growth” followed, industry players told *ChinaReport*.

According to a survey by the China Camp Education Alliance (CCEA), 66 percent of the companies in this sector entered the industry in the past three years. In 2017 alone, more than 5,000 companies began providing camp or study tour services.

“The industry is still in its infancy,” said Chen Rong, vice presi-

“One American expert says if you have good tutors, you can make a good camp in a parking lot or an empty field,” wrote Wang in a WeChat article. “I saw an ad for a Chinese company that confused me a bit. For most of the video, the company babbled about its advanced, well-designed buildings, boasting they were planned by a world-class architect. It was like watching a property commercial.”

Wang added that summer camps were just one option for American students. According to the American Camp Association, in 2013 there were 44 million school-age children in the US. That year, less than one-third attended summer camps.

Education or Business?

“Camps are about education, not tourism or something else,” said Lan Hai, a child psychologist and the founder of camp company Schwabing Education. As an education major graduating from Ludwig Maximilian University of Munich, Lan places a lot of emphasis on the educational value of camps.

Lan’s company, which she established in 2003, has seen its revenue grow steadily, but it has only 90 staff. “The reason we keep our personnel expansion at a low rate – unimaginable in other industries – is that it takes time to train a good tutor,” Lan told our reporter.

Designing a good camp programme takes a professional team and experienced teachers, Lan said.

Overseas camps designed by Lan’s company are challenging and highly demanding for participants. Before they head off, participants are required to take a two-month preliminary course to learn the general geography, history and culture of the particular destination. After the camp begins, tutors are only in charge of preparing food, providing accommodation and guaranteeing safety – they are not allowed to give campers any local information. Forbidden to use the internet, smartphones or maps, children need to independently finish a research report concerning a certain topic based on their own observations and interviews with local people.

High-quality camps are rare. Driven by profit, many camp organisers make little effort to offer education, opting for sightseeing and a stay with a host family, making the trip resemble a kind of high-end package tour.



Children are taught to extract water from plants during a wildlife camp at Mount Kunyu, near Yantai, Shandong Province

PHOTO BY YCG

The price of overseas study tours is usually two or three times that of adult travel tours. It might cost 5,000 yuan (US\$735) to 6,000 yuan (US\$882) to go on a package tour to Singapore. A “study camp” with the same characteristics might hit 20,000 yuan (US\$2,941) or more.

In some, study might account for one-third of the time, while the rest is spent travelling and shopping. Children are even led to outlets, buying branded luxury products from Louis Vuitton, Prada, Burberry or Hugo Boss stores for their families.

Then there are the accidents. Big or small, they happen regularly in overseas programmes organised by Chinese groups – car accidents, curtains burned by candles, children bitten by poisonous spiders, children left behind and more, said Chang Jieya, a founder of a start-up camp company with four years of experience.

Allergies are the most common, she said. “I heard of a serious case, in which a kid nearly suffocated when their airway swelled up, and they needed a tracheotomy,” Chang said.

In July, a sex assault case in a summer camp infuriated the public – an assistant coach was accused of sexually assaulting 12-year-old twin sisters during a weeklong summer camp in Yesanpo National Park, Laishui County, Hebei Province. The case has brought safety issues into the spotlight.

Chen Rong hopes the industry will overcome the hurdles caused by a lack of standards and regulation.

“A major industry reshuffle is expected in the next two or three years. This, I fear, might come in response to a serious accident that invites government intervention. It can’t be far off,” Chen said. ★



Family Planning

BABY BLUES

Despite easing family planning policies, China's fertility rate is decreasing. Some local authorities have rolled out policies to counteract the population crisis, but is it too little, too late?

By Cai Rupeng and Huo Siyi

Song Limin, an assistant researcher with the Institute of Population Research, Liaoning University, was 41 years old on the first day of 2016 when China's controversial one-child policy officially came to an end. Despite being exactly the sort of person targeted by the government's new policy, which encourages married couples to have two children, she says she will not do so. "If the policy was announced 10 years earlier, I might have taken it into consideration. But I don't have the capacity or energy to have a second child now."

According to statistics released by the National Health and Family Planning Commission, 17.86 million Chinese babies were born in 2016, a 7.9 percent rise on the year before, and about 45 percent of them were not a first child. However the moderate spike was short-lived: only 17.23 million were born in 2017, a decrease of 3.5 percent.

While some had worried the new policy would trigger a sudden population explosion, the inclination of Chinese families to have more children has proved far less than expected. Statistics from the All-China Women's Federation indicated that in 2016, only 20.5 percent of families wanted a second, while 53.3 percent were unwilling to have more than one child.

The percentage is far higher in Northeast China's Liaoning Province, where Song Limin lives. There, more than 80 percent do not want a second child.

When the one-child policy was still in effect, Liaoning's fertility rate in 2010 was 0.74, compared with the national rate of 1.18. A rating of 1 means on average, every woman of childbearing age has one child. In 2015 the Liaoning figure was 0.9, compared to the national level of 1.05.

By the measure of birth rate, which plots the number of live births per 1,000 people in the country, Liaoning saw the worst performance in China over the two years since the two-child policy came into effect: with 6.6



A nurse tends to newborns in a hospital

per 1,000 for 2016 and 6.49 per 1,000 population for 2017. That's roughly half China's general birth rate.

Song Limin told *ChinaReport* that once the fertility rate drops below 1.5, it is very difficult to reverse the trend, and it becomes likely a nation will fall into a low fertility trap.

Reluctant Generation

Among the over 17 million newborns in 2017, around half were a second child, while the number of first children accounted for just over a quarter. Compared to 2016, the number of second child newborns increased by 1.62 million, while the number of first child newborns decreased by 2.49 million.

According to Professor Su Jian from Peking University School of Economics, the recent boom of second child newborns is down mostly to those born in the 1970s and 1980s who were nearing the end of their biological capacity to have children. "This indicates the younger generation's overall reluctance to have children," Su added. "In

addition, the population of women of childbearing age is shrinking significantly, which implies that under China's current planning policy, the population is no longer self-sustaining, and the number of future newborns will continue to dwindle."

A number of experts echo Professor Su's opinion, agreeing the 2016 hike will be temporary, and predicting the number of second children born could soon drop markedly.

Wang Guangzhou, a researcher at the Institute of Population and Labour Economics, Chinese Academy of Social Sciences, who has been leading a national project to predict the impact of the two-child policy, told *ChinaReport*: "Since the policy was adopted, the real number of newborn second children has been successfully projected. However, the overall number of newborns was lower than expected."

The main reason, Wang said, was that the fertility rate for first children dropped. "Overall, the increase in newborn second children balanced out the reduction in new

first borns, dampening the increase in the total fertility rate.”

That the fertility rate has wound up so much lower than predicted has taken most policymakers by surprise. “We did not expect society would age so quickly, and the reality is much worse than our prediction,” said Lu Jiehua, a professor at Peking University’s Department of Sociology. “The disconnect between policymakers and groups targeted by the policy is the primary cause of this gap.”

According to Lu, 40 years of reform and opening-up has resulted in people changing their minds about having children. The young do not subscribe to the mentality of their parents’ generation that having as many children as possible is desirable, but are more open to different types of family unit: single child families, remaining unmarried, entering so-called “naked marriages” (a more frugal way of tying the knot) as well as being in homosexual relationships.

Professor Lu believes that as China’s socioeconomic development has matured, the benefits of having children became outnumbered by costs. “For example, the increasing cost of raising a child and the spiralling house prices in big cities have become insurmountable obstacles. Young people lead more diverse lifestyles and do not necessarily follow the traditional path to have children,” Lu said. “Gradual improvements to the social security system have also weakened the old Chinese mentality of raising children to provide against old age.”

Wang Guangzhou believes society’s increasing reluctance to have children has a number of causes – including increased access to higher education for women and the high costs of raising children due to housing and education costs. He points out that lower fertility rates are a natural consequence of social development. “But this will lead to faster movement towards an ageing society, and China’s demographic dividend has been disappearing in recent years.”



A senior tries out an electric wheelchair at an Expo aimed at senior consumers

PHOTO BY VCG

“Thus we urgently need to formulate policies that are adapted to the social development situation.”

Local Incentives

The ageing issue showed up in Liaoning as early as the mid-1990s. As defined by the United Nations, an ageing society is one where 10 percent of the population is older than 60 or seven percent is older than 65. The proportion of over-65s in Liaoning hit 7.02 percent in 1995 – five years earlier than China as a whole. According to official statistics, the population of permanent residents in Liaoning was reduced over three consecutive years, and for the past six years, the natural population growth rate has been negative.

In the face of this looming demographic crisis, Song Chunli said that in Liaoning, the retired population has soared in the past decade. By 2017, the proportion of locals over 60 went up to 22.65 percent. From 2015 to 2020, the annual increase is expected to track at around 0.7 percent, and by 2030, the proportion of over-65s is set to rise to 26.9 percent. The peak is projected to come in 2039, 10 years earlier than the national high.

That’s why Liaoning’s provincial government has started exploring policies to tackle

the problem, Song says. Real planning started last year and according to a government official from Liaoning provincial Development and Reform Committee, the Liaoning Provincial Population Development Plan (2016-2030), which was finalised in June 2018, included stimulation policies for childbirth, such as simplified registration for births, integrating maternity insurance into the healthcare insurance system and improving policies for maternity leave and spousal leave for newborns.

When it released the plan on July 5, Liaoning became the first province in China to roll out concrete policies to encourage families to have a second child. The aim is to increase the fertility rate from 0.9 in 2015 to 1.4 by 2020 and to an ambitious 1.8 by 2030. However, experts said the question was more about when detailed plans of bonuses will be given to families, and whether the subsidies would offset the cost of having more children.

Liaoning Social Sciences Academy Vice President Liang Qidong said incentives must be substantial and detail exactly how financial subsidies would be allocated in different situations, how many days would be allowed for extra maternity leave, and whether husbands could access spousal leave too.

“If the descriptions in the official policy document are well fleshed out, the policy could have a real effect,” Liang said.

In response to this query, a government official from Liaoning Development and Reform Commission conceded that the new incentive plan was a framework that required different government departments to coordinate in setting out detailed policies in the long term.

In Song Limin’s opinion, Liaoning Province’s recent plan indicates the government has finally dropped the mindset that they need birth restrictions, so the next step is to turn the plan into practical measures and then implement them.

Liang Qidong insisted the way to encourage an increase in births is to completely abandon the nation’s birth control policies, allowing the public real freedom to choose how many children to have. “I believe, within five years, the policy will be completely relaxed,” Liang said.

Way Forward

Some experts predict that as the fertility rate continues to dwindle, more provinces will follow Liaoning and enact incentive measures. A common conclusion has been that a smaller population will directly threaten economic growth as well as the provision of pensions, healthcare and social services.

Before Liaoning announced incentive policies in July, a number of local governments at the city level had rolled out their own measures.

Tianjin municipal government implemented an additional 30 days of maternity leave for families with a second child; Xiantao city in Hubei Province started to provide free basic maternity care services in addition to an extra 1,200 yuan (US\$174.4) bonus. Shihezi, a city in the Xinjiang Uyghur Autonomous Region went even further to encourage the second-child policy. In June, it implemented five new policies which

improve the length of and bonuses for maternity leave for a second child, as well as offering breastfeeding leave (which allows mothers to return home during the work day to feed their children) of three months up to one year. Before these, Shihezi had already provided tangible financial support for families with a second child, such as subsidies for childbirth and childcare until the age of three.

According to a local government official from Shihezi Population and Family Planning Commission, local families in Shihezi can access free services and special care before and after baby delivery up until children reach primary school age. “These policies are to release those parents’ burden in having a second child,” the official told local media in Xinjiang.

At present, the National Health Commission has organised an expert team to study the implementation of incentive policies to stimulate the fertility rate and to evaluate their effectiveness. *ChinaReport* understands that the research is scheduled to conclude by the end of this year.

Professor Liang Jianzhang from Peking University’s Guanghua School of Management said that ordinary Chinese families were unlikely to regain their willingness to have more children without substantial financial subsidies.

According to Professor Liang, there is a positive correlation between a country’s fertility rate and the amount of subsidies for childbirth. “A common childbirth incentive practised in some countries is to give one to five percent of the total GDP to families to pay for services to support families. The proportion in northern European countries is five percent. If China could use 2-5 percent of the country’s total GDP to encourage childbirth, it would improve the fertility rate.”

In China that sounds like a huge amount – five percent of China’s current GDP is four

trillion yuan (US\$584b). But if the figure is divided among the 200 million children in China, each would get no more than 10,000 yuan (US\$1,460) annually. “We all know that in big cities in China, the annual spending on a child is much higher than this amount, so we can only reverse the present demographic crisis when we devote a huge amount of financial support to fulfil the mission.”

Individual income tax discounts are another policy some experts back as an effective incentive. Professor Yuan Xin from the Institute of Population and Development at Nankai University told *ChinaReport* it would be an effective policy if personal income tax was collected based on a whole family’s income level rather than individually. “For example, in a family of four with two children where the wife does not work, the husband’s monthly salary, say 20,000 yuan (US\$2,917) is the family’s only income,” Yuan said. “So when 20,000 is divided by four to 5,000 yuan (US\$ 729) each, it falls below the individual income tax threshold, so the family should not need to pay tax.”

Others call for family planning policies to be scrapped entirely to endow real freedom of childbirth. Zhang Juwei, director of the Institute of Population and Labour Economics, Chinese Academy of Social Sciences, said that when China was mapping out its one-child family policy decades ago, authorities only considered controlling the increasing population, and did not envision the advent of an ageing society, so from a policymaking perspective, China should reflect upon its previous hasty national political decisions.

“I remain confident that the first thing to do is grant complete childbirth freedom to people to see what the fertility rate would be like before the country makes further plans,” Zhang said. “It is complete nonsense to encourage you to have more children on one hand, but restrict you to two at the same time!” ★

Family Planning

FERTILE DEBATE

ChinaReport talks with sociologist Huang Kuangshi to explore alternative ways to boost the country's dwindling birth rate, after several controversial suggestions provoked lively public discussion

By Cai Rupeng

Since China abandoned its four-decade family planning policy in 2016, commonly referred to as the one-child policy, allowing all couples to have two children, the growth in the nation's fertility rate has been far lower than the government expected. Data from the National Bureau of Statistics shows the birth rate declined from 17.86 million births in 2016 to 17.23 million in 2017 – 630,000 fewer newborns, a drop of 3.5 percent.

To encourage families to have more children, many local governments have come up with incentives in recent years. Lively discussions, and sometimes controversial suggestions in academic circles about approaches to boosting the birth rate, have often spilled over on to social media, sparking quite vehement opposition.

In mid-August, two professors from Nanjing University in Jiangsu Province published an article in a local government newspaper which proposed a “fertility fund” – paid for by taxing people under the age of 40 – which would subsidise families if they had a second child.

The article drew widespread scorn from the public, media and fellow academics. The proposal was slammed for being unworkable, and described as “improper,” “unreasonable,” and even “stupid.” It would be a drastic shift

from “forcing people to have fewer children” to “forcing people to have more children,” some said. Yet sociologist Huang Kuangshi, assistant professor at the China Population and Development Research Centre said that with a few tweaks, the fertility fund idea could be an effective policy incentive. In an interview with *ChinaReport*, Huang agreed that an adjusted fertility fund could be a viable solution, although he believes other incentives may be more practical.

ChinaReport: What do you think about the recent suggestion of a fertility fund to boost the birth rate?

Huang Kuangshi: A fertility fund, if it's only paid into by the general public, is not a practical and reasonable policy suggestion. However, we could make a very sound policy out of this.

First, a fertility fund must be a combined responsibility of the family and the employer, as well as the government. It could operate like the housing fund, where an individual, their employer and the government could contribute the same proportion. So in this way, the responsibilities of the three sides would be fully represented. Secondly, the family starts getting money from the fund when they have a child, the same way people now get money from the housing fund when

they buy or rent a house. If you don't have a child, you could get the contributions back after you retire. Third, with the fertility fund, families could benefit from preferential policies if they need loans to help with the cost of bringing up children. And last, if you have a second child, you'd get more money from the fund, so the government and employer would increase their support.

CR: What benefits would an individual get from a fertility fund?

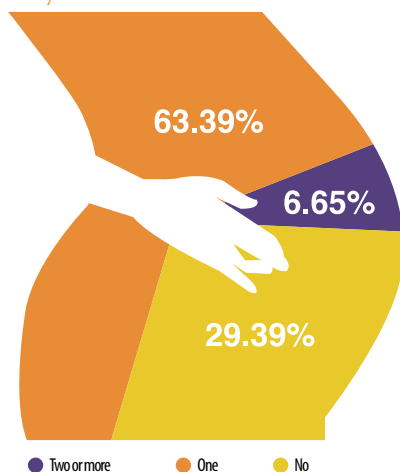
HK: The fund would involve transferring part of your personal salary into it, and when you have a child, he or she could withdraw the money any time they want. In addition, with the government and the employer's contributions to the fund, it will be a way to increase personal income. More importantly, just like the housing fund, you could get preferential rates on bank loans to contribute to bringing up your children.

In the present situation, society should encourage academics to voice their opinions. Some, who are not professionals in this field, are giving suggestions which may be wide of the mark, but we could use them as a stepping-off point for further studies by professional demographers and other experts.

CR: You have also suggested certain tax

Attitudes to having children among women of childbearing age in China

Do you have children?



Why don't you want children?

High cost of child-raising

56.80%

Too time-consuming

53.60%

Negative impact on future work and career development

41.86%

Physical pain of pregnancy and delivery

30.23%

Lack of confidence in marriage

23.26%

Other reasons

19.77%



Source: www.zhaopin.com

policies to encourage childbearing. What are they?

HK: I have made proposals to the National People's Congress on personal tax reform. Now I firmly believe it is high time to use personal tax reductions as an incentive to boost the population, rather than setting up a fertility fund.

For example, with a monthly tax reduction of 1,000 yuan (US\$146) for each child in a family, the total annual tax reduction for one child is up to 12,000 yuan (US\$1,758). So if you have two children, you could get a reduction of up to 480,000 yuan (US\$70,336) over 20 years. This kind of policy could also help ensure timely registration and data collection for newborns, which is very important for population monitoring and to ensure prosperity for families.

CR: Some people believe it is not yet time for large-scale childbearing subsidies in light of the over-burdened national finance system and the huge gap in the pension fund. What's your view?

HK: Looking at the current situation, there's no urgency to implement a large-scale subsidy system yet. We still need careful research and evaluation on what the effects would be of different childbearing subsidies or maternity allowance policies. But from a long-term perspective, subsidies will be necessary to increase the birth rate.

CR: Staring in 2017, many local governments, including some cities in Hubei Province, have launched policies to encourage families to have a second child. What do you think of these incentives?

HK: As you said, local governments in Hubei have tried ways to encourage more

families to have a second child. These include encouraging businesses to allow longer maternity leave of up to six months; giving a childbirth subsidy of 1,200 to 2,500 yuan (US\$176-366); providing a 1,000 yuan (US\$147) annual subsidy for nursery education for a second child; and setting up mother-and-baby rooms in public places.

According to figures from the Hubei provincial government, in 2017, the fertility rate was 12.6 percent and the natural population growth rate [ratio of birth surplus or deficit to total population] was 5.59 percent. There were 742,600 babies born in the province. The proportion of local over-60s was 18.77 percent of the total provincial population, higher than the national average.

It's a good thing if local governments set up incentive policies. With local differences across the country, it isn't really possible to have a one-size-fits-all national policy. It's a good option to allow local governments to trial policies and observe the effects and what deficiencies might occur during the process.

CR: What is the trend of the future population policy in China and do you think there will be national incentive policies to boost childbirth within the year?

HK: Encouraging childbirth is a natural result of economic and social development [when the birth rate will inevitably drop]. Without incentives, the national population will not collapse and we don't need to worry about the demise of a nation. However, incentives are necessary to help people find the balance between family and work and enhance working efficiency. They will also be a good way to foster the next generation, thus improving the national quality of the population as a whole. ★



A woman in Jiaxing, Zhejiang Province, tends her vegetable patch near her son's flat as she takes care of her grandson, January 10, 2017

PHOTO BY YCG

Childcare

Child Labour

Unaffordable, unavailable childcare has seen many senior citizens move across the country to care for their grandchildren. But now, homesick, fatigued and battered by conflicts over child-rearing styles, many oppose the idea of families having a second child

By Xie Ying

Hu Zhen freaked out when she heard that her daughter-in-law wanted to have a second child. "Don't expect me to take care of it... I need a rest. It's time for me to lead the life I want!" she recalled telling her son. Hu, 62, moved from Hebei Province to Beijing four years ago to help her son and daughter-in-law take care of their newborn and did so until her granddaughter was admitted to a nearby nursery school last year. Her daughter-in-law's plan for a second child, she said, caught her like thunder on a clear day.

"I have been through nearly four exhausting years caring for the baby. How could they have the heart to give me another one? I should have my own life," she told *ChinaReport*.

As the cost of child-rearing rises and the Chinese market for professional nannies remains poorly regulated, senior citizens have become the best choice for many families to take care of babies and toddlers at least until they reach nursery school age – about three years old in China. To enable their children to concentrate on their career and lighten

their burdens, many elderly parents ignore the Chinese tradition of returning to one's hometown in older age, instead moving to the cities where their children work. According to a 2017 report on internal migrants issued by China's National Health Commission, the nation was home to nearly 18 million migrant senior citizens in 2016, 43 percent of whom left home to become childcarers. These are China's *laopiao* – with “*lao*” meaning “senior” and “*piao*” meaning adrift.

The *laopiao* trope goes thus: they live in unfamiliar cities with few friends and relatives around. Lonely and homesick, their children seldom comfort them, but instead argue over how to best raise their baby. Many *laopiao* face mounting anxiety and are eager to escape a depressing, pale existence in which they are little more than an unpaid domestic helper or “free nanny.”

Surrogate Moms

In ancient times, Chinese women who typically stayed at home and did housework were the ones who took care of babies. Though many came out to work in the modern era, the Confucian idea that childcare is the burden of women did not dissolve. Many women who chose to be a stay-at-home mom found they were not respected and even discriminated against by relatives who believed they were getting something for nothing.

The discrimination and rising living costs have led a growing number of modern Chinese women to shun the idea of staying at home, and senior citizens have become their surrogates.

Hu Zhen said she had volunteered to help with the childcare at the very beginning. A widow whose husband died of cancer several years ago, she felt glad to live with her son and spend time with the family. She also thought it was too risky, and would have put too onerous a burden on her son if her daughter-in-law had chosen to stay at home.

Like Hu, few traditional Chinese senior citizens would even think of letting the husband care for the child. Zhao Liyan, a 37-year-old mom in Beijing who had a daughter last winter, told *ChinaReport* that their initial plan was to let her husband, who had quit his job and started his own business, take care of the baby, but her parents-in-law strongly opposed the idea, saying they did not trust their son to babysit and they worried that the job would impact his career. Given Zhao's parents were not well and had to take care of her brother's baby, the family's last choice was for the parents-in-law to move there from Harbin, Heilongjiang Province.

Li and Zhao's family did not ever consider professional nannies. Scared by a string of media exposes about the market being rampant with fake certificate-holders, and stories of nannies abusing babies while their parents were away for work, Li and Zhao labelled the industry “expensive and unreliable.” “A professional full-time nanny costs around 7,000-10,000 yuan (US\$1,077-1,539) per month in Beijing, higher than the average monthly wage in the city, but their

service is worth far less,” Li claimed.

This is the common view among senior citizens and young parents. Having little trust in baby-care providers, many families asked senior citizens to come and monitor nannies, even if they already employ a nanny.

Family Conflicts

But family trust in elderly parents does not eliminate conflicts. On the contrary, arguments over conflicting parenting styles have flared, particularly given that the younger generation tends to embrace more evidence-based parenting theories, while the elderly adhere to “common knowledge” and traditional wisdom.

“Parenting arguments have run through our daily life, though they haven't escalated into big quarrels,” Li Tianna, Hu Zhen's daughter-in-law, told *ChinaReport*. “For example, I believe crawling is of great importance to a baby's motor development, while my mother-in-law always pushed her to walk. She said her son was able to walk at 10 months old, but you know, all babies are different.”

“Every time we argued, she would say ‘I've brought up my son this way. Is there any problem with him?’”

This is a typical remark from parents to their own children. Young mothers' complaints about outdated and non-evidence-based parenting – such as chewing food in their mouths before feeding it to a baby, scaring them off doing things they believe are bad, making them wear too many clothes – are often heard in communities and flood online bulletin boards. It pushes some families to the brink.

But senior citizens still remain the best childcare option. “My father seldom accepts my suggestions and I have to turn a blind eye to trifling things to minimise arguments,” said Cao Jinjing, a 32-year-old mom whose parents have migrated from Jiangxi Province to Beijing to help take care of their grandson.

“Every time I argue with my father about parenting, it makes him sad and angry, and then, I feel very sorry for him,” she said.

“Sometimes I think young people are too demanding and critical of us. They say it is good for a baby to learn to feed themselves as early as possible, for example, but they never think how big a mess the baby will make doing so, and how long it will take us to clean it up,” Hu said.

“We senior citizens also need to rest, and to be cared for by our children,” she added.

Further, many Chinese men, brainwashed by the idea that men should fully focus on their career, are unequipped to ease such conflicts – participating much less in babysitting than other family members, many husbands are ignorant of the parenting and naturally cannot understand how arduous childcare is. When *ChinaReport* tried to interview some men on this issue, many either refused or asked the reporter to interview their wives instead.



PHOTO BY VCG



An elderly couple in Nanjing, Jiangsu Province, take their grandchild out, August 31, 2011

"I felt bad in the middle between them [his wife and mother]. I am willing to help more with the childcare, but I don't know how to comfort them both," said Li Tianna's husband, who refused to use his real name for this story.

Lonely, Depressed

"*Laopiao* give all their love to their families, but nobody understands or cares for them. At night, they are wrapped only in loneliness and homesickness," goes a popular song about *laopiao* released in 2017. Many *laopiao* said they felt the song described their situation well, and that they had lost their sense of belonging after migrating.

Gao Zhihui, a 71-year-old woman living in a remote suburban village of Beijing, is familiar with the feeling. "Accustomed to large one-storey homes with a yard in the village, I felt terribly boxed in by my son's cramped [downtown] flat. It was kind of like being shut in a small cage," Gao told *ChinaReport*. "Worse, people there were disconnected from each other. When I came out of the building, I found no one to talk with," she added.

As Gao's daughter-in-law is self-employed, she has much more freedom than regular employees to arrange her time. Gao later shifted to going downtown to look after her newborn granddaughter when her daughter-in-law had to be off on business, and travelling home after she returned. "It takes around three hours to get to my son's flat, but I would rather bear the long journey than live in that flat all the time," she said.

It is for similar reasons that Shi Xiaoli, 33, whose husband went to Africa on a long-term contract a few years ago, returned to her hometown of Shaoxing, Zhejiang Province three years ago when she

was pregnant with twin boys (her second pregnancy). "As a southerner, my mum couldn't get used to Beijing. She could accept neither the food nor the climate there, and she couldn't understand the northern accent," she said. "She had been down in the dumps in Beijing and often said that she missed her old friends in Shaoxing."

"It's no picnic for my mom to help me take care of three sons. I didn't want her to be constantly unhappy," she added.

But not everyone can afford to return to their hometown. Most stay in the cities for their jobs, and for the children, and *laopiao* usually did not want to worry their children – many even concealed their ill-health to their children, since China's social insurance is not accepted across provinces and *laopiao* have to be liable for the full cost of medical bills in a new city.

Experts have described such a life as "uprooted," the hardship of which is amplified when *laopiao* find no vent to discharge their negative emotions. In an interview with the *Guangzhou Daily*, psychologist Chen Binhua warned of the rising number of *laopiao* suffering from depression.

"In fear of making mistakes and being blamed by their children, most *laopiao* have a great deal of heavy psychological stress and they find no way to ease it," Chen said. "If *laopiao* define themselves as a 'nanny' and focus their life on the child and the family only, loneliness and sense of loss will be strengthened."

Since ancient times, "to be surrounded by children and grandchildren" has been seen as a bliss for older Chinese people.

However, as this could today mean a lonely and depressed life away from home, and with individualism on the rise in China, some senior citizens are choosing a different path.



PHOTO BY VCG

Grandmothers taking care of their grandchildren meet in a local park in Nanjing, Jiangsu, September 9, 2009

“I am still serving my patients and I get happiness and confidence from my work. Childcare is neither what I’m skilled at nor what I like. I want my own life and personal space,” An Yang, a 68-year-old doctor in Shanghai, told *ChinaReport*. Last year, she refused her daughter’s request to help care for her newborn baby in Beijing, but instead, opened her purse to employ a professional nanny for her.

“I have been a career-oriented woman since young, and my daughter knows it well,” she added.

An Di, An Yang’s sister who was interviewed at the same time, agreed. “My heart doesn’t allow me to babysit. I once suffered severe headaches and insomnia when I helped take care of my grandson for three days when my son and my daughter-in-law were on a short holiday. It would kill me if I had to do the job for a long time,” she said.

The An sisters lead a rich and full life in Shanghai. They often dine with friends and have travelled a great deal both at home and abroad. “I am well and happy now, and have no intention to change my current life style. I believe senior citizens in good health and a good outlook are more helpful to lighten the younger generation’s burden, since they do not need to worry about their parents while caring for their children,” said An Di.

Hu Zhen also wants to free herself from her current childcare routine after she began a relationship with a man in Qinhuangdao, Hebei Province. Her conflict with her son and daughter-in-law escalated during the summer holiday, as she frequented Qinhuangdao to see her new partner, while her granddaughter would have been left unattended if the couple did not ask for leave from their companies.

“I really have no other choice. Do you know why her partner did

not come to Beijing? Because he had to take care of two granddaughters as well. But why is it us that made this sacrifice?” Hu’s daughter-in-law asked.

For the sake of family harmony Hu ultimately agreed to decrease visits to her partner’s city during the summer holiday, but insisted she would not help care for a second baby, if any.

Aside from financial difficulties, the lack of professional childcare providers has become one of the major obstacles to Chinese families’ desire to have a second child, according to a 2017 survey by the All-China Women’s Federation. Many women have told media that what scares them is not the pain of having a baby but the fact that no one can help them with childcare.

Li Tianna told our reporter that she had abandoned her second-baby plan. Cao Jinjing revealed that her parents have never asked her about a second child, though they plan to resettle in the capital. Zhao Liyan’s parents-in-law refused to sell their flat in Harbin, since they plan to return when their granddaughter starts nursery school. And, when Gao Zhihui once asked her daughter-in-law whether she wants a second child, her reply: “Will you help me care for the baby?” shut her up.

As the State-run newspaper the *People’s Daily* said in a May commentary, the *laopiao* issue does not relate to the lifestyle of senior citizens only, but also to urbanisation, medical care, parenting and even changes to social psychology in the modern era. The solution may lie in more reasonable and sound social institutions, other than merely more family understanding. ★

Hu Zhen, Li Tianna, Cao Jinjing and An sisters are pseudonyms

Fu Ying

DIPLOMATIC ENDEAVOURS

Top diplomat and senior lawmaker Fu Ying gives her insights on big global issues and discusses how China should engage with the world as she publishes her second book

By Xu Fangqing

Veteran Chinese diplomat Fu Ying recently published her second book, *A Dialogue with the World*, featuring 40 speeches, articles and dialogues on international occasions with a focus on the challenges China has to face, Sino-US relations, and China's role on the world stage. An English language version is expected to be released soon.

Fu's first book hit the shelves seven years ago, but she's remained in the public eye due to her practical but charming "Fuying-style diplomacy." Fu became vice-foreign minister in 2009, the first woman in this position since China started its reform and opening-up in 1979. She also served as spokesperson for the National People's Congress (NPC), China's top legislative body, from 2013 to 2017. *ChinaReport* secured an exclusive interview with Fu to discuss her new book and her view of the world today.

ChinaReport: What's the story behind the title of your book?

Fu Ying: To begin with, I didn't intend to publish this book. At the end of 2016, Qiao Weibing, editor-in-chief of China Citic Press, suggested I should publish it after he had summed up some of my articles and speeches online. The publisher made great efforts to select, edit and classify the pieces, includ-

ing "International Order," "Sino-US relations," "Asian Peace," and "The South China Sea Situation." The collection is a reflection of my thoughts of the past several years, offering a reference for readers to observe China and the world.

CR: It is a tough job to write articles, especially longer ones. What motivated you to write when you are always busy with work?

FY: To be frank, I like to read, research and write, and I brushed up these skills as a diplomat. Nowadays, I have more time to read and to meet experts and scholars from different backgrounds and learn from them. Reading and writing have inspired me to think and write. I try not to write for writing's sake and I only write after I have some ideas. I define myself as an international communicator. On the world stage, China needs more voices, and this is what motivated me to speak and write.

CR: Why not publish more books?

FY: I like to read and admire those who write well, but I was a bit apprehensive about publishing a book. My first book was published by the Foreign Language Teaching and Research Press in 2011, called *When I Was There – Selected Speeches of Fu Ying*. It's a bilingual collection of articles and

speeches from when I served as ambassador to Australia and the UK. It was released mainly to offer a reference for Chinese to learn English and public speaking. Work on editing the sequel is underway.

Many people, both in China and abroad, knew me because of an article I wrote when I was Chinese ambassador to the UK. It has a special background. On April 6, 2008, the torch parade for the Beijing Olympics was disrupted in London, and I visited a number of UK media outlets to talk about the negative reporting surrounding the issue. These media organisations raised the same question: Why doesn't China communicate better and faster?

Shortly after, my article "Western media has 'demonised' China" appeared in [UK newspaper] *The Telegraph*. The article got a lot of attention in the UK. I noticed that some comments were even longer than my story. Some readers disagreed with me, some expressed understanding, but what is more important is that it provoked thought and debate among UK readers.

The incident made me realise the importance of having a voice and the choices we have. Throughout my years in the diplomatic service, I have met so many people and persuaded many of them to understand my way of thinking, but the media proved to



Fu Ying

PHOTO COURTESY OF INTERVIEWEE

be the only channel to get more people to understand what the Chinese think. I'm also publishing another new book in September 2018 which sums up my viewpoints on the state of China's international communication and my experience as a spokesperson for the NPC.

CR: When did you realise you had found the right way to observe the world?

FY: It isn't appropriate to say whether it's the right or wrong way to see the world. My views of the world get a little bit deeper every year. The knowledge you get from books needs to be tested in real life, and the feelings from real life need to be consolidated through reading. The world is made up of countries, but countries are made up of people. In sum, understanding people is the crucial way to understand the world.

When I was studying in the UK, I lived with people from all around the world who had different characteristics. Then, for example, I worked with people from various countries during UN peacekeeping operations in Cambodia, and fully realised that mutual respect and sticking to the truth are the keys to intercultural communication.

CR: How has English helped in your understanding of the world?

FY: I got my undergraduate degree at Beijing Foreign Studies University, majoring in English. When I graduated, China had just started its reform and opening-up policy. English opened a window for me and broadened my horizons. I could obtain information about other countries easily, read books from other countries and better observe the world and communicate with people from different cultural backgrounds. My main job is to explain China's policies and stances to

the outside world and English is a very important tool.

CR: 2018 marks the 40th anniversary of China's reform and opening-up. How can the Chinese general public understand and interact with the world?

FY: China and other countries are mutually dependent. As the largest developing country and a rising power, China faces a variety of challenges. China lacks the historical experience to become a world power in the modern sense, and the country needs to learn to be a major player in the world arena. For instance, China needs to broaden its international horizons, keep a low profile and be modest enough to learn, particularly for the general public. Big powers are in a better condition to maintain and expand their benefits. Meanwhile, global powers have to weigh the costs and benefits and bear the responsibilities of humanity's common interests.

China has to be alert to the demands and feelings of other countries and act for the broader interests of the international community. Chinese people need to grow to become citizens of the world with a global vision and mindset. It will be a gradual process, and China needs to interpret itself to the outside world more proactively and reduce resistance from other countries.

CR: You have been praised for your ability to express China's stances without making others feel embarrassed. What's the secret behind the diplomacy?

FY: I belong to the generation of diplomats who grew up in peacetime. I am indebted to my predecessors who were proficient in communication and negotiation. Diplomats have to know what the national interests are first and choose the best way to achieve that goal. In my opinion, smiling is the most common

and most effective way of communication, and I like to express my views and stances with a smile. It is, however, not appropriate to smile on all occasions.

CR: Is it likely that China and the US will reach agreement on international order in the next 10 or 20 years?

FY: Americans prefer to use the phrase 'world order' and tend to consider the US as the [global] leader. Chinese people, however, prefer to use 'international order,' in which the UN and its affiliated agencies and the international legal system play a pivotal role. The US maintains a practical relationship with the UN – cooperating when interests coincide, but departing when they do not. In international security, the US gives priority to its alliances and rejects any political beliefs that do not conform to Western values.

Americans tend to say that China is poised to challenge the world order led by the US, but we have to first figure out the relationship between this order and China because China does not exist fully inside this order. For instance, the US's military alliances are exclusive, and they take precautions against China. It's just like a house in which China can enter some rooms, but not others. As a result, it doesn't make any sense to discuss the leadership of the house.

The current problem is what future order is needed for the world and how we can achieve that. If the US is determined to lead the world under its own 'world order,' it has to be open to all other countries. If exclusiveness is adhered to, the US has to consider how to get along with countries outside its own world, which is one of the main reasons why order needs to be reformed and adjusted. Of course, China needs to show its own stances and choices, and I understand that China is in favour of the current international order

and I agree with other countries that the order needs reform and adjustment, enabling the world community to better cooperate and deal with the problems and challenges of today.

Adjusting and improving international order is a complicated process. In history, it is improved to secure peace after reflections and compromises over war. In the peaceful environment of the 21st century, it is a major test of mankind to improve the current international order. The risk of confrontation lingers, and we have to handle it cautiously. The current international order is imperfect, and it will take time to improve it. China advocates the improvement of the international order rather than starting all over again. For example, the G20 [Group of 20] came into being to cope with the financial crisis and Paris Climate Accord went into effect to address the deterioration of the environment.

CR: Do you think China is already a world leader?

FY: There is no world government in this world and it is only a concept that there is a 'world leader.' China will never bend the knee to other countries and our basis of international communication is peace and cooperation. Nor will China ever try to lead other countries. China does not have such a strategic objective and it is not the Chinese way of thinking.

Chinese President Xi Jinping has elaborated China's outlook on the world under the principle of achieving shared growth through discussion and collaboration. China will play an increasingly constructive role in international affairs. China has also proposed its own initiatives, such as the Belt and Road, which aims to benefit more countries, so we can build a future together and share the results together. ★



Ride Sharing

Didi started to promote its service in Melbourne, Australia on June 25, 2018

PHOTO BY VCG

Risk and Monopoly

As Didi Chuxing dominates China's ride-hailing sector amid scandals, a government anti-monopoly investigation has been dragging its heels

By He Bin and Pan Xiaofei

Didi Chuxing, the largest ride-hailing service provider in China, is again facing severe public scrutiny after the grim murder of a 20-year-old rider by a Didi Hitch driver on August 24. It was the second rape and murder case involving a Didi driver in four months. According to domestic media, allegations of at least 50 sexual harassment and assault incidents committed by Didi drivers were exposed in recent years and at least three out of the 50 drivers involved in these scandals had been able to obtain a Didi driver

permit despite having criminal records.

On August 25, Didi issued an official apology admitting the company bore “indisputable responsibilities” for the tragedy, and promised to give three times the normal standard compensation for any personal injuries caused by drivers registered with the platform. The next day Didi decided to suspend Hitch – a ride-sharing service – from August 27.

China's Ministry of Transport published a commentary

immediately after the incident, criticising Didi for its failure to provide effective preventive measures and timely help.

Didi CEO and founder Cheng Wei and president Liu Qing issued a joint apology on August 28 pledging to not purely focus on “scale and expansion” in the company’s future business strategy, and saying it would suspend Hitch indefinitely.

“These reform measures indicate that Didi has acknowledged the importance of the issue, but whether these measures are enough to undo the damage will depend on the conclusion of an investigation by the public security and supervision department. Whether the company’s executives should take further legal responsibility for causing this incident remains unclear at this point,” said Zhou Hanhua, a researcher with the Institute of Law, Chinese Academy of Social Sciences.

There are calls from the general public for substantial punishments for Didi as well as any companies that have violated market regulations or broken the law.

Growing Unicorn

In mid-August, CB Insights, a research company focused on venture capital firms, released a report mapping present-day leading global unicorns. It listed Didi Chuxing as one of the most valuable private startups, valued at US\$56 billion. The race to become a ride-hailing giant has been described by Cheng Wei, Didi’s founder, as like driving a “racing car that could hardly be controlled without intentionally slamming on the brakes.”

According to open resources online, since its first round of funding in July 2012 Didi has gained 20 rounds of funding totalling more than US\$20 billion. The company also expanded internationally in January, buying 99, an Uber rival in Brazil, and launching its own service in Mexico in April. With an estimated market value of over US\$56 billion investment, Didi was expected to have an IPO by the end of 2018, potentially achieving a market value of US\$70-80 billion.

In 2012, after Cheng Wei resigned from the B2C department of Alibaba’s financial services affiliate Alipay, he decided to found a startup in Beijing using his 800,000 yuan (US\$116,000) personal savings. The company was initially backed by GSR Ventures with a US\$3 million. Other ride-hailing apps were already available in China, and it was a critical time to take over the market. As Didi was looking for Series B funding, tech giant Tencent showed interest. Considering the huge potential market brought by Tencent as China’s top internet service portal, and the parent company of WeChat, Cheng Wei accepted Tencent’s US\$15 million Series B investment in 2013. Within a year there were 100 million users taking 5.21 million trips a day, and Didi was soon one of China’s most successful mobile apps.

Meanwhile Alibaba had invested in Hangzhou-based Kuaidi, another ride-hailing app that dominated the market in the Yangtze River Delta area. Fierce competition between the two companies, as well as a couple of smaller competitors, began in 2013, but stepped



A Didi drivers club in Shanghai

up in January 2014 when the two launched a price war by offering subsidies to attract drivers to their platforms, and reducing the fees for users.

In January 2014, Tencent and others invested US\$100 million in Series C funding in Didi after rival Kuaidi announced a US\$100 million round from Alibaba and others. By the end of 2014, the pair were two of China’s early unicorn companies. In August 2014, San Francisco-based Uber launched its services in China and later accepted an investment by Baidu, China’s top search engine. This exacerbated the price war even further.

In February 2015, Tencent-backed Didi and Alibaba-backed Kuaidi declared a strategic merger by exchanging 100 percent stakes in each other. Starting from July 2015, Alibaba began to invest in the newly formed entity Didi Kuaidi. The merger handed a combined share of more than 95 percent of the Chinese market to the new company.

In mid-2015, Didi Kuaidi announced a non-profit, carpooling service Didi Hitch using Tencent’s Wechat as its payment and registration platform. The entire company rebranded as Didi Chuxing in September 2015. With a sustained cash-burning strategy fuelled by capable investors, it wasn’t long before a Series G funding round raised US\$4.5 billion in June 2016. Didi Chuxing finally acquired Uber China in August 2016 for US\$7 billion. The condition of the acquisition was that Uber maintained a 17.7 percent stake in the company, while Baidu and other Uber China investors were given a 2.3 percent stake.



PHOTO BY VCG

From then on, China's three largest tech companies, Baidu, Alibaba and Tencent, were all invested in Didi Chuxing. With dozens of rounds of investment, the shareholding structure of Didi became extremely complex with follow-up investments from both domestic companies like China Life and Ping An Insurance, as well as international capital such as the joint investment of Japan's SoftBank Capital and UAE's Mubadala Ventures of up to US\$4 billion.

Monopoly Investigation

According to research from consultancy Analysys in mid-2016, Didi grabbed about 70 percent of active users in China's chauffeur market, and Uber China accounted for 17 percent. After the acquisition, Didi started to occupy more than 87 percent of the ride-hailing market, and almost 100 percent of the domestic chauffeur market.

According to China's Anti-Monopoly Law, an operator that has over 50 percent of the market dominates the market. Didi released statistics indicating users on the Didi platform reached more than 10 billion services. For its Didi Hitch services, the company has provided more than one billion services in the past three years.

Back in February 2015, Yidong Yongche, a minor competitor to Didi, complained about Didi's monopoly to the Chinese government. But there was no final judgement or result from the government. The Ministry of Commerce said publicly one month after receiving the complaint that Didi had not reported to it before acquiring Uber China, and that the ministry was investigating Didi in accordance with the Anti-Monopoly Law.

The most recent occasion that the Ministry of Commerce commented on Didi's monopoly case was July 2017, when spokesperson Gao Feng responded to media during a press conference that the ministry was still in the investigation process and "had scheduled a few meetings with Didi Chuxing on the issue."

According to Professor Liu Junhai from the Renmin University of China's Institute of Commercial Law, there is no clear timeline for the investigation of an anti-monopoly case in China. "I personally think the result of the anti-monopoly investigation should be released so the public can know in a timely manner."

Fang Zhengyu, a lawyer from Shanghai-based Niumai Law Firm told *ChinaReport* that cases addressing anti-monopoly in the internet industry were complicated by the difficult question of how to define "monopoly." Should the online ride-hailing industry be categorised as a separate independent market, or into the public transportation service market? From a completely independent market point of view, Didi has an unassailable market share, but from a general transportation standpoint, it has the lowest proportion of the overall market.

Dong Yizhi from Shanghai-based Yida Law Firm said after it defeated its major competitors, and without proper regulation, Didi unavoidably came to dominate the market. Despite its flagging service, users have no other option, Dong said.

The recent news triggered public calls for more attention to the safety of online ride-hailing services. To register at Didi, a driver needs to provide personal information including their name, ID number, mobile phone number, plate number and car brand. However, the vetting process for Didi drivers is not sufficient to secure passengers' safety when getting into a registered driver's car. One taxi driver in Beijing told our reporter in early September that some drivers use one car to register with two different licence plate numbers, so they can get more orders. Some drivers just use a completely different vehicle that is not registered to pick up the passenger.

On September 5, an inspection team of more than 10 government departments including the Ministry of Transport, Central Political and Legal Affairs Commission and the Office of the Central Cyberspace Affairs Commission, arrived at Didi headquarters in Beijing for an in-depth investigation. According to the inspection team, this "new mode of industry has provided the general public with convenience, while at the same time, there are problems including unregulated evaluation of drivers' credentials, authenticity of the information, and infringement upon consumer and drivers' rights," and "a follow-up systematic inspection and reform will be conducted across the country into online ride-hailing service providers."

Dong Yizhi said that for Didi, whether during the initial money burning competition period, or the present period retaining industry monopoly, regulation is the most effective way to prevent illegal or rule-breaking activities. Without supervision or restrictions, companies in this grey area may find ways to escape their legal responsibilities and may not care about real effective reform and restructuring measures. Didi is, after all, a capital-driven company, Dong said. ★



Low-Speed Electric Vehicles

COLLISION COURSE

Low-speed electric vehicles in China are mostly used by elderly people and low-income households, but safety and quality concerns mean manufacturers and users are facing tightened regulations and even outright bans

By Chen Yaying and Xu Ming



PHOTO BY VCG

Industrial robots manufacture lithium-ion batteries for electric vehicles in a factory in Changxing County, Zhejiang Province

A month before the long-awaited arrival of China's national standard for low-speed electric vehicles (LSEV), many regions across the country suddenly began to toughen up regulations on or even ban outright the sale and use of the cars that are a popular means of transportation. LSEVs are small, short-range vehicles that are speed-limited, but which have lower safety standards than full-size electric automobiles.

Vehicles not on the Ministry of Industry and Information Technology's official list of vehicle types are all banned from the road, whether they are electric bicycles, electric tricycles, four-wheelers or mobility vehicles used mainly by senior citizens.

It is these that have caused the most concern – some mobility vehicles look similar to other electric vehicles, but are much cheaper, and not up to the same technical standards. You do not need a licence to drive one, they are easy to use, and they go much faster than bikes. They are particularly popular with senior citizens and migrant workers in smaller cities and rural areas where the public transportation network is weak. Given the big demand, the market for these LSEVs has been growing rapidly in the past few years, with a fully

fledged supply chain which involves hundreds of thousands of jobs and even more users.

The recent sweeping crackdown on LSEVs provoked discussion in the industry, despite the known safety loopholes, lack of supervision and environmental protection hazards. Two years ago, authorities had already announced they would issue quality standards, which are set to be released in October. Given this, the recent sweeping ban came as shock, and it has brought uncertainties to the market.

Too Fast to Stop

The LSEV industry has gone through a period of what industry analysts say is unchecked growth. For more than 10 years, LSEVs have existed outside any industry or transport regulatory system. The industry has thrived in third- and fourth-tier cities and rural areas, with Shandong, Henan and Hebei the main production and sales regions, which have large populations and poor rural public transportation.

In eastern Shandong alone, there are more than 100 LSEV manufacturers and an estimated three million vehicles. According to data

from the Shandong Association of Automobile Manufacturers, in 2017 Shandong produced 756,000 LSEVs. From 2009 to 2017, local producers manufactured 2.19 million units. From January to June 2018, the province produced 327,200 units, year-on-year growth of 30.52 percent.

The electric car sector, which constitutes the majority of new energy automobiles, grew more slowly despite government encouragement. According to the China Association of Automobile Manufacturers, in the first half of 2018, China produced 314,000 new energy vehicles, lower than Shandong's output of LSEVs. In addition, the startling year-on-year growth of 79 percent in electric car production is already slowing after the government cut subsidies in June.

LSEVs have an absolute advantage over new energy cars in terms of prices, although it comes at the cost of quality and safety. An LSEV typically costs from 20,000 yuan (US\$2,925) to 30,000 yuan (US\$4,388). In contrast, a car from Zhidou, a leading micro-electric car brand based in Zhejiang Province which exports to Europe, starts at nearly 50,000 yuan (US\$7,309), one of the cheapest electric cars.

In many regions that have started to ban LSEVs, drivers have expressed discontent and bewilderment. They insist that LSEVs are the most convenient and affordable form of transportation. The large number of users in townships and rural areas that have poor road systems and depend even more on LSEVs for daily commuting are particularly worried.

"Public transportation doesn't go everywhere here. Roads in the countryside are too narrow and this kind of vehicle [LSEV] is the most suitable and convenient," said one LSEV owner surnamed Wang, who lives in a rural area of Central China's Henan Province.

Wang said that county traffic authorities where she lives now require all LSEVs to have a licence plate, and they intend to also issue regulations on speed and weight. "We hope we can still drive after these rules come out. If they're all banned, we'll probably have to walk or cycle everywhere. That's hard to imagine. Compared to simply banning them all, it's probably more urgent to educate drivers and raise their road safety awareness," Wang said.

LSEVs also play an important role in driving local economies and providing jobs. An LSEV producer, who asked for anonymity, told *ChinaReport* that selling 500,000 four-wheel LSEVs annually would bring jobs to more than 100,000 people both up and downstream in the supply chain – this includes supplying parts and components to marketing and after-sale services.

Levdeo, a Chinese electric vehicle producer from Shandong Province, sold about 220,000 vehicles in 2017. It has more than 3,000 full-time workers and brings jobs to tens of thousands of people who work in the whole supply chain.

Safety Loopholes

But without clear technical and regulatory standards, the LSEV

industry has never been under a proper regulatory framework, either for production or use.

The fast and chaotic growth has led to traffic headaches and safety hazards.

According to statistics from the traffic management department of China's Ministry of Public Security, in the past five years, LSEVs have been involved in 830,000 accidents, which have claimed some 18,000 lives and injured 186,000 people. The number of accidents rose by 23.3 percent annually on average, while the death toll grew by 30.9 percent.

There are many safety hazards due to lax production standards. Vehicles have been known to spontaneously combust or catch fire while being charged. While there are no standard speed limitations, some warned that the minimum speed of 30 kilometres per hour in practice is too high to be safe.

The fact that you can just buy one and drive away, with no licence plate or driving licence has become the biggest selling point. This convenience helps those who are really in need, but also emboldens reckless drivers to ignore traffic rules and road safety – with no licence plate, they cannot be identified if they run red lights or drive the wrong way up a one-way street. Users also drive on main roads, as there is no rule for what kind of road they can use and how to punish them if they do break the rules. Even in big cities like Beijing, it is common to spot vehicles shifting between different lanes. It is too big a job for local traffic police to monitor the sheer number of LSEVs and look out for violations.

A Beijing vegetable seller surnamed Zhao told *ChinaReport* that she changed her mind about buying an LSEV after she saw how unsafe they were, when she saw one crumple after hitting a roadside rubbish bin. "If they hit someone on the road, they just drive away and it's almost impossible to find them and hold them responsible as there is no licence plate to track them," she said. Even if they are caught by police, it is difficult to get them to compensate victims as they are not covered by insurance.

In some regions, such as Guigang in Guangxi Zhuang Autonomous Region and Xinzhou in Shanxi Province, LSEVs have been legalised and must display licence plates, and drivers have to meet certain technical requirements. "We are supportive of measures that include LSEVs in standardised management, which is good for the development of the industry," an insider in the LSEV industry told *ChinaReport*. Over the years, there have been many calls to allow, or even require LSEV users to buy insurance.

Environmental Concerns

Battery pollution is another major issue. Lead-acid batteries are commonly used in LSEVs. However, the practice has long been criticised, as producing, recycling and reproducing lead-acid batteries results in lead smog, lead dust and lead-polluted water.

Currently, it is estimated that 90 percent of lead-acid batteries can be recycled, a rate much higher than lithium batteries, because most lead-acid battery components can be reused, and the recycling industry is booming in China. But the majority of the recycling is done informally by small workshops and does not follow technical standards, so this process also causes pollution. The problem is how to tighten up regulations on the recycling, transportation and processing of the batteries to minimise their harm to the environment and to the workers involved, as industry analysts have repeatedly pointed out.

In an article on the planned national standards for LSEVs in newspaper *The Elite Reference* in early 2017, Dong Yang, deputy president of the China Association of Automobile Manufacturers and head of the team to map out national standards, wrote they would ban the use of lead-acid batteries because of the severe pollution caused by the poor management of the battery recycling sector. This article aroused wide discussion in the industry.

LSEV enterprises are supportive of updating lead-acid batteries to lithium ones that are friendlier to the environment. Many companies have already initiated the change. But since lithium are more costly, it means vehicles will be more expensive, a hard nut to crack for enterprises and consumers.

For example, now in Shandong Province, if the price for LSEVs goes up to 40,000 yuan (US\$5,848) after installing lithium batteries, consumers will think twice and the market will shrink, some insiders worry.

In addition, shifting to lithium is also controversial. In an article in the *China Science Daily* on September 6, Yang Yusheng, a member of Chinese Academy of Sciences, warned about safety problems of lithium batteries, and urged the use and promotion of lead-carbon batteries based on lead-acid technology, which he described as “the biggest progress in the 159 years of history of lead-acid batteries.”

Protecting Road Users

All these problems indicate the urgent need for national standards for LSEVs to protect all road users. Although establishing a national standard and traffic regulations for LSEVs have been on the agenda for a long time, progress has been slow. Analysts believe this is due to divisions among different departments, as some want stringent restrictions while others care more about industry growth.

Regulatory system, battery technology and safety standards issues have long been the focus of debate among LSEV enterprises. While LSEV producers hope they can develop in the countryside and expect a national standard to guide an orderly development for the industry, they are daunted by the forthcoming standard that is anticipated to be harsh.

In October 2016, China's Standardisation Administration officially published the plan that would make a national standard for LSEV in two years. According to its guidelines, LSEV producers that

could meet the requirement for electric cars would be encouraged to upgrade into producing proper electric automobiles. For those which will remain in the industry, national technical standards would be established and applied. Companies and vehicles that do not meet these standards will be eliminated after a grace period.

By the end of 2016, the technical standard for LSEVs went public and aroused fierce discussion in the industry. Some said the standards would set too high a threshold for the industry and, once implemented, might eliminate a majority of LSEV producers. Others argued that any compromise on safety standards would hurt all road users, including LSEV drivers themselves. The industry regarded the standards, pending further reviews, as a chance of survival at least.

However, now only a month away from the final decision, what happened was not the national standards that the market had expected, but a sweeping round of bans. Instead of banning some vehicles which are not up to the national standards, the current “ban all” approach has caught LSEV enterprises unprepared.

Some uncompetitive LSEV manufacturers had already closed before the ban. The growing use of electric cars in recent years has encroached on the LSEV market, which, in addition to the market fluctuations resulting from the forthcoming standards, made it hard for some companies to survive. Other companies have already started to upgrade their models, including using lithium batteries, hoping it will give them a chance to survive.

The industry is becoming more concentrated. It is estimated that the top five LSEV companies in Shandong Province produce 75 percent of the province's total LSEV output.

“The products have greatly upgraded and improved in the past five years,” said Shu Xin, general manager of Levdeo. Yang Yusheng also recognised the technical progress on LSEV manufacturing in China.

As for the chaos LSEVs bring to traffic, Dong Yang believes the problems can only be solved by defining them as a type of motor vehicle, albeit slower and smaller than the norm. He advised that lessons could be learned from Japan's mini-sized vehicle rules and China's current management of agricultural vehicles, which have national technical standards for production, licensing and use.

Some people hold that as there is such big demand among low-income households, the LSEV market should be allowed to develop. But no one denies that it is equally urgent to clean up the market and tighten up regulations for safety concerns and stricter supervision of the industry.

Executives of LSEV manufacturers *ChinaReport* spoke to agreed that if there are laws to abide by, the sector can continue on a path of healthy development. Simply banning all such vehicles, as some places are doing now, cannot really solve the problem in this industry. But it is certain that a law is needed to protect all road users, and bring the regulatory certainty to any sector that China's economic growth needs. ★



Mobile Payments

The Price of Innovation?

Alongside tightened oversight of internet finance in China, authorities are turning their attention to third-party mobile payment services, and are not afraid to impose financial penalties for malfeasance

By He Bin

On August 6, the Shanghai branch of the People's Bank of China (PBoC) slapped a penalty of 4.12 million yuan (US\$598,000) on Alipay, a

leading mobile payment service operated by tech giant Alibaba Group, for violating payment regulations.

Insiders from the third-party payment

industry speculated that Alipay may have violated money laundering regulations, and to date Alipay is yet to give an official reply. Alongside the Chinese central bank's



PHOTO BY YCG

Customers pay the check at a milk tea shop in Sydney, Australia, May 9, 2018

strengthened financial oversight, the third-party payment industry, particularly mobile payments, is expected to come under more intense scrutiny.

Poor Consumer Protection

This is at least the third time the PBoC has fined Alipay. On April 23, 2017, the same branch – Alipay is headquartered in Shanghai, while its parent, Ant Financial, remains in Hangzhou, Zhejiang Province – fined Alipay 30,000 yuan (US\$4,350) for breaches of payment regulations. On March 22, 2018, Alipay was fined 180,000 yuan (US\$28,000) for violating three specific regulations by the PBoC's Hangzhou branch.

To begin with, consumers had their rights

to information and choice poorly protected, because Alipay was found not to have provided them with sufficient information to understand and choose their products wisely.

Second, the company was found to have conducted misleading marketing in video and social media campaigns. In addition, the proportion of processed complaints was not calculated properly, leading to inaccurately published data. Third, the collection of personal financial information also failed to comply with the “minimum and necessary” principle. Meanwhile, Alipay also misused customers' financial data.

According to the Administrative Measures for Payment Services of Non-financial Institutions and China's Law on the Protection of the Rights and Interests of Consumers, the PBoC's Hangzhou branch issued penalties of 30,000 yuan (US\$4,360), 100,000 yuan (US\$14,533), and 50,000 yuan (US\$7,267) to the three breaches.

In an ironic foreshadowing of what was to come, during the 2016 China Central Television 3.15 *Show* – an annual high-profile consumer rights show which exposes company malpractice – Ant Financial launched an initiative in conjunction with 59 other financial and online enterprises to promote the protection of consumer rights, including the security of their assets, rights to knowledge and rights to fair trade. What's more, information transparency, protection of consumer privacy and improvement of consumer complaint mechanisms were included in the initiative.

According to a report released by the central bank on August 13, the total number of online transactions processed by non-banking payment institutions in China hit 286.73 billion in 2017, with a value of 143 trillion yuan (US\$20.8t), an increase of 74.95 percent and 44.32 percent year-on-year. The mobile payment market in China had reached 81 trillion yuan (US\$12.77t) as of October 2017 – Alipay and its major rival, Tencent's WeChat Pay account for 90 percent of the industry's market share, according to the Ministry of Industry and Information Technology.

Launched in 2004, Alipay was the first mobile payment platform to obtain a licence from the PBoC in May 2011. Amid China's cashless revolution, Alipay has an active user base of 520 million. Apart from the burgeoning online payment market, Alipay is an active player in the offline payment market at public places including restaurants, supermarkets, taxis and hospitals.

But controversies have dogged third-party payment platforms, such as forms of money laundering on the platform conducted between vendors and customers on its online marketplace Taobao. For example, refunds are processed for goods not sent, or refunds for products are paid for with credit cards sent to the Taobao account, rather than back to the credit card. Practices such as these do not conform to the regulations. For its part, Alipay has pledged to tighten supervision and launched a string of measures which aim to ensure security, including the identification and authentication of users.

With its expanding business, Alipay has extended its reach into the financial sector. In June 2013, Ant Financial and Alipay introduced the Yu'e Bao (Leftover Treasure) money market fund – which has become the largest such fund in the world. It allows investors to put money into the fund and withdraw it any time. The moment it launched, it generated a vast number of users, but also garnered a great deal of attention from supervisory departments.

On June 21, 2013, the China Securities Regulatory Commission announced that some of the gains and losses of Yu'e Bao's fund sales had not been reported to regulators and the company also did not provide sufficient information about how banks were monitoring fund transactions, demanding the company to make additional filings.

In the PBoC's annual report in 2017, Yu'e Bao was jumped on by regulators again. It stated that fund products, including Yu'e Bao, have blurred the boundaries between providing payment services and fund products. To make matters worse, these services have “profited from the interest rate differential, pushed up interest rates and the



QR codes for payment displayed at a market stall, Nantong City, Jiangsu Province, September 10, 2018

Annual net profits of Yu'e Bao, the wealth management service of Ant Financial, 2014-2017



Annual pre-tax profits of Ant Financial which owns Alipay and Yu'e Bao, 2014 - 2017



Source: Wind / China Merchants Securities

cost of social capital and aggravated the difficulty of raising capital and financial costs," the central bank report said.

In 2014, Alipay further extended its global reach by launching a service for transnational payments and tax refunds. On July 24, the State Administration of Foreign Exchange announced that five third-party payment enterprises, including Alipay, had violated China's foreign exchange regulations. The agency warned that from January 2014 to May 2016, Alipay illegally conducted transnational payments of foreign exchange beyond its authorised scope and declared less money on international payment balances, although no detailed figures were reported. The company was given a penalty of 600,000 yuan (US\$87,200).

Loose Regulatory Environment

In recent years, regulators have kept a keen eye on third-party payment enterprises. On August 6, the PBoC gave out four penalties of a combined 100 million yuan (US\$14.7m), including the fine on Alipay. The other com-

panies fined were Union Mobile Financial Technology, Gopay and Yinsheng E-pay.

"Such penalties are not unique to China, and regulations on non-banking payment institutions are quite strict worldwide," Yang Tao, a researcher with the financial institute of the Chinese Academy of Social Sciences, told *ChinaReport*. He argued that third-party payment enterprises must grow rapidly in the beginning, but when they reach a certain scale, problems arise and regulation of the industry, particularly retail payments, will intensify. On the other hand, he added, financial regulations have been strengthened in recent years, including for internet finance.

China's third-party payment business started at the end of the 1990s, and by the early 2000s, when there were several payment institutions, most were operating under inadequate regulation. In 2010, the Administrative Measures for Payment Services of Non-financial Institutions was released by the PBoC, ushering in the explosive growth of payment enterprises. Regulations, however, remained relatively loose until 2016,

when new rules were issued.

"In fact, there were violations of laws and regulations for a long time. The market demand is huge, which brings substantial profits. In addition, the fines for violations are too low," Yang said, adding that the solution lies in increasing the fines, which will aid the sound development of the sector.

Meanwhile, regulators have stepped up measures to improve the institutional construction of company systems and regulations. On July 1, 2016, the Administrative Measures for Payment Services of Non-banking Institutions came into effect. It means that the PBoC will be able to keep an eye on payment institutions in real time. In April 2017, the PBoC required third-party payment service providers to keep 20 percent of customer deposits in reserve. Some third-party payment enterprises had embezzled funds and had even used customer funds for risky investments.

Following the increasingly stringent domestic supervision, the doors are open for overseas payment institutions. On March 31,

the PBoC released a directive that would allow overseas enterprises to operate in China. On July 27, WorldFirst, a UK-based company, became the first foreign player to apply for entry to China's huge payment market.

Some insiders argue that Chinese regulators are mulling a reshuffle of the country's third-party payment industry. In Yang Tao's opinion, however, stringent penalties were made to boost the healthy development of the industry.

"The likely outcome is that small and medium payment enterprises will withdraw from the market. Despite the challenges, leading players like Alipay are unlikely to be surpassed in the short term," he said.

As for overseas players, Yang argued that even though they have comparative advantages in transnational payments and internationalisation, they will face challenges in adapting to China's payment competition and pricing strategy and domestic players will not be motivated by the introduction of competitors.

In July, the PBoC released a new round of licence extensions for third-party payment enterprises, and four of the 25 applicants were denied, mainly for irregularities related to payment services. In the two rounds of public notifications in January and June 2018, the licences of four and nine enterprises were revoked as part of a clean-up campaign by the central bank.

In the medium to long term, regulators are pushing forward real-time supervision mechanism to control the total number of platforms, optimise the structure, improve quality and maintain orderly development, Yang said. Bad actors in the sector will be forced to exit the market entirely.

"It's common to see ups and downs in the market. Some companies are merged and some collapse because of repeated violations of the regulations. In the payment industry, there's been a withdrawal mechanism for a long time," he said. ★

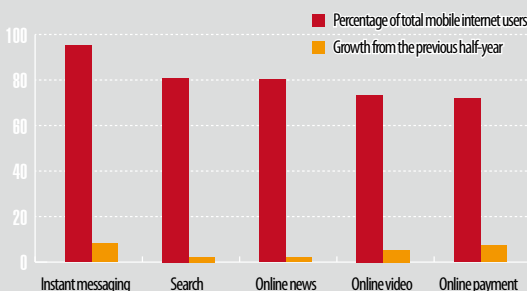
CHINA BY NUMBERS

788 million

Total number of Chinese mobile internet users by June 2018, a growth of 4.7 percent since December 2017, accounting for 98.3 percent of internet users

Source: China Internet Network Information Centre

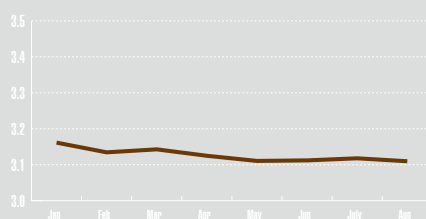
The five most used smartphone applications in the first half of 2018



US\$3.1097 trillion

China's foreign exchange reserves at the end of August, a drop of US\$8.2 billion from July

China's foreign exchange reserves by month, Jan-Aug 2018



Source: People's Bank of China

28.7%

Decrease in China's trade surplus in US dollar terms this year to August, compared to the same period last year (down to US\$193.66 billion)

China's trade balance by month, Jan-Aug 2018



Source: General Administration of Customs of China

US\$1.28 billion

Total water resource tax collected from nine provinces and municipalities in a national pilot project for the first half of 2018, including US\$436.7 million for surface water usage and US\$742.3 million for ground-water



Source: State Administration of Taxation

US\$65.27 billion

China's total outbound direct investment excluding the finance sector, January-July, 2018. Includes 3,999 foreign companies from 152 countries and regions, a year-on-year increase of 14.1%, higher than the global FDI growth of 10% forecast by the United Nations Conference on Trade and Development (UNCTAD)

Source: Ministry of Commerce of China / UNCTAD

Documentary

HIGH AND LOW

Critics say it's the first Chinese documentary feature to centre on an 'ordinary' person. *Mr. Big* is about a man's journey to Tibet and his philosophy towards life

By Li Hang



Ye Yun, nicknamed “Mr. Big,” is an average Chinese man. In his late 40s, he works as a cleaner in a copper factory in the city he grew up – Chifeng, 500 kilometres from Beijing in the Inner Mongolia Autonomous Region. What makes him stand out is his physical difference – Ye, who has dwarfism, is 1.1 metres tall.

He loves travelling and feels comfortable in places where no one pays him much attention. Three years ago he decided to go to the Tibet Autonomous Region – which might seem less risky for others but could be perilous for someone with his condition. Ye's journey took him more than 5,000 kilometres from Inner Mongolia to the Potala Palace in Lhasa, then to the base camp of Mount Qomolangma, known as Everest in the West.

Ye never imagined his life would be the subject of a documentary feature. Now he finds himself the protagonist of a 106-minute film, *Mr. Big*, which documents his life in Inner Mongolia and journey to Tibet. The film was directed by Tong Shengjia, 35, a successful filmmaker who was once Ye's neighbour. The film, which premiered on

August 20, has been well received and deemed by critics as China's first documentary feature centring on an everyday person.

Simple Life

Tong Shengjia has documented the lives of famous people for television, including the internationally acclaimed master painter Huang Yongyu and the renowned writer and translator Yang Jiang, who died in 2016.

Tong had originally wanted to make his first documentary feature about his former neighbour and childhood friend. But Ye saw it differently.

“What's the point of filming my life?” Ye asked. Tong responded, “Sometimes ordinary can be extraordinary, not only on the screen, but also in his life.”

Ye is the youngest of three sons and a sister. His two older brothers were bus drivers, but they died in a car accident eight years ago. Their deaths were a huge blow to the family, and his mother died soon after



Ye Yun (centre) in a screenshot of *Mr. Big*

the tragedy. Ye lives alone with his 84-year-old father, and the family is occasionally visited by his married sister.

Working in a copper factory earns him around 1,500 yuan (US\$218) per month. His monthly expenditure is fixed: 300 yuan (US\$43) for cigarettes, 200 yuan (US\$29) on the lottery, 500 yuan (US\$72) given to his father and 300 yuan kept as savings.

Every day he gets up at 5am, has a cigarette, and eats breakfast quickly. He is always the first to arrive at the factory and waits there for other disabled colleagues. His responsibility for the last decade has been cleaning the factory floors.

He gets off work at 5pm, and on his way home spends 10 yuan to buy five “double-colour-balls” – a welfare lottery giant in China, all with the same number.

Ye dreams that one day he will win five million yuan (US\$730,000) so he can give a speech about his win, which he has rehearsed for a long time. Outside the lottery station, he buys a packet of Hongtashan cigarettes in a grocery. Then he returns home and eats dinner

with his father in front of the television.

In contrast with this simple life, Ye loves to travel – especially to big, crowded cities. Beijing is his favourite because the people in the bustling city don’t seem to pay him much attention. Missing are the curious stares of those from smaller towns who may not have seen someone with dwarfism before. Ye does not seek special attention or treatment. He feels uncomfortable when some people give their seats to him on a train or bus.

Says Tong: “He always surprises us by saying something seemingly simple but very thought-provoking and philosophical. Sometimes his words shed light on things you can’t figure out yourselves, as if he is standing in the terminal and looking back at you.”

Ye longs for love and marriage. In his early 20s he dated a woman with a disability, but the relationship broke down. He describes himself as being “greedy” because he says he wants a woman who is in good health. He sought help from a matchmaker, who told him owning a house was a prerequisite for marriage.



PHOTO BY VCG

Screen shot from *Mr. Big*

"I can't have love or a family. Like it or not, it is the reality I have to face," Ye tells Tong in the documentary.

Journey to Tibet

The idea of going to Tibet occurred to Ye during filming. Day by day, it developed into a strong urge. He told his bold idea to Tong and their mutual friend Api, encouraging them to go with him.

Altitude sickness, unpredictable weather, potentially hazardous road conditions and trauma of his brothers' deaths made it a difficult decision.

To prepare for his trip, Ye took out his savings, 4,000 yuan (US\$582) in total, which he saved for years, and borrowed 6,000 yuan (US\$874) from a friend. He did not dare to tell his father the truth, lying that he was headed to Sichuan to visit relatives.

He wrote a secret will the day before he departed, mentioning that this decision was his own choice, and had nothing to do with his friends. "Life has been predestined by Heaven. Whatever I might encounter during the journey, I take it gladly. After all, it's taken all my effort to achieve it," he wrote. He left the will and his bank cards with one of his workmates.

In June 2016 Ye hit the road and headed all the way to Southeastern China, along with Api and Tong's film crew. The second half of the documentary recorded this expedition.

The road to Tibet proved difficult. Besides capricious weather – mist, showers and snow, they almost had a high-speed crash.

When they reach an altitude of 3,300 metres, Ye started to feel tightness in his chest and shortness of breath. For every 50 metres he walked he needed a 10-minute rest. When they reached 4,000

metres, a photographer in the team collapsed in the car, but insisted he could continue the job by using his telephoto lens to shoot them.

After the team arrived at the Potala Palace in Lhasa, Ye managed to climb all the steps to the top, 432 in total. Many Tibetans gave him a thumbs-up when seeing him strenuously climbing.

In front of the palace, Ye silently counted pilgrims' long bows, as they prostrated themselves on the ground, moving forward slowly and following every step with a bow.

One man offered him a white, long khata – a ceremonial Tibetan scarf – and placed it around his neck. Tibetans give this greeting scarf to friends or guests as a welcome and a blessing. At first, Ye mistook the gesture for a hard sell and took the scarf off instantly; later, after finding out the meaning, he felt deeply grateful and ashamed of his initial suspicion of the Tibetan's kind act.

During the journey, the team grew to understand Ye's preference: He likes crowded places much more than natural landscapes.

Many come to Tibet to see the awe-inspiring natural landscape and as a kind of purification of the soul. But Ye bore his workmates in mind wherever he went. He took pictures in order to show them what Tibet was like. He sent them postcards and bought them lots of souvenirs. He bargained in the Jokhang Temple, the most sacred temple in Tibet, and eventually bought a prayer wheel there at half price as a gift for Api.

"You are probably the first one to bargain in Jokhang Temple!" Api told him jokingly.

The most impressive scene is a midnight talk between Ye and the director at Qomolangma Base Camp.

On a starry night at the world's highest peak, with Api snoring



Screen shot from *Mr Big*

in the background, Tong asked Ye whether he felt his soul had been purified in Tibet, given so many people travel there for that purpose.

Ye's response was: "Is my soul not pure? I think I have a very pure soul. Because I never hurt people." After initially being amused, the director later found beauty and power in these words.

"I have seen menace in people, so I know the quality of 'never hurting people' is so rare and precious. There is so much unpleasantness we might encounter in life and every one of us may have a sharp knife in ourselves; but if we unsheathe the knife too often, we may also get ourselves hurt," Tong told *ChinaReport*.

'Never Hurt People'

He says the film is a "shield" for that "knife." "When you feel miserable, you know there is one man called 'Mr. Big' who struggles with all his might to live in harsh conditions. Then you may think, if he can, why can't we?" Tong added.

Ye's tenacity also touched Pu Shu, one of China's most popular singer-songwriters. "When people are tortured by misfortune, some completely break down. But he hasn't. He responds rather positively to hardship. I like him because I can feel the light in him. It's deeply touching," the singer said.

The theme song of the documentary, "The Empty Sailboat," is from Pu's latest album *Orion*. The singer recorded a live version of the song for the production team to use for free.

Pu is not the only one moved by the film. Acclaimed Chinese screenwriter Zhang Ji regards the film as "a quintessential Chinese story" with "Chinese life wisdom in it" and says "It touches on various real problems that Chinese people face and also more fundamental

problems concerning life, death and faith."

China Film Archive director Sun Xianghui spoke highly of the film, saying: "The message on the poster – 'I love each day in my life when I struggle with all my effort to live,' strikes a chord with many of us. It not only tells Mr. Big's story but presents the life of us all. The strenuous efforts that Mr. Big made to reach Qomolangma touched me and many viewers. We can see ourselves and hear our own voices in his life."

"His charm, humor and philosophy unfold bit by bit in the film. Strong, optimistic, kind and passionate, such an interesting soul is hard to find. What has been deprived from you by life might be rewarded in other forms," internet user "Happy Divide" commented on Douban, China's biggest media review site.

When he came back to Chifeng, Ye wrote down his feelings about this special odyssey.

"Many came [to Tibet] much earlier than me, and many are still on the road. They usually have a very positive attitude towards life. I'm not the first one and won't be last. I belong to one of them. I feel honoured and grateful," he wrote.

Today, Ye's life has returned to its regular pace. He still buys five double-colour balls every afternoon. He still has the hope of winning five million yuan and already has a plan for that money: He would buy a flat to live in and another to rent out. Buying stocks or running a restaurant are of no interest to him. "I don't have any business sense," he says.

"I'm a bit greedy, am I not? Those desirable things that everyone seeks – love, friendship and a financially comfortable life – I hope I can get those as well," Ye told *ChinaReport*. ★



CAMPUS COPYCATS

Hebei Academy of Fine Arts in Baoding, Hebei Province, has brought to life the Hogwarts School of Witchcraft and Wizardry from the *Harry Potter* series





The campus of Chengdu Textile College in Sichuan abounds with replicas of famous landmarks such as Easter Island's enigmatic stone statues and a copy Sphinx

From the Sphinx to the Great Wall of China, the White House to Hogwarts, copies of the world's iconic landmarks — real and fictional — are springing up on school campuses across China.

An arts academy in Hebei Province boasts a campus inspired by the *Harry Potter* series. At least two colleges in Shenyang, Liaoning Province, have cloned the United States Capitol. A giant Sphinx has been erected in a college in Chengdu, Sichuan Province, alongside Easter Island's iconic stone head statues.

Many of these schools lack name recognition, and so use distinct campus architecture to set themselves apart in a bid to attract students. They are often found in China's less cosmopolitan yet aspirational second- and third-tier cities. Some are joint ventures between foreign schools and local administrators, which attempt to use Western-style or hybrid architecture to symbolise their educational features.

The clones do not come cheap. Wuhan International Trade University spent some 50 million yuan (US\$7.3m) filling its campus with global landmarks including France's Arc de Triomphe. East China Jiaotong University's Institute of Technology in Jing'an spent as much as one billion yuan (US\$146 million) to turn its campus into the Forbidden City.

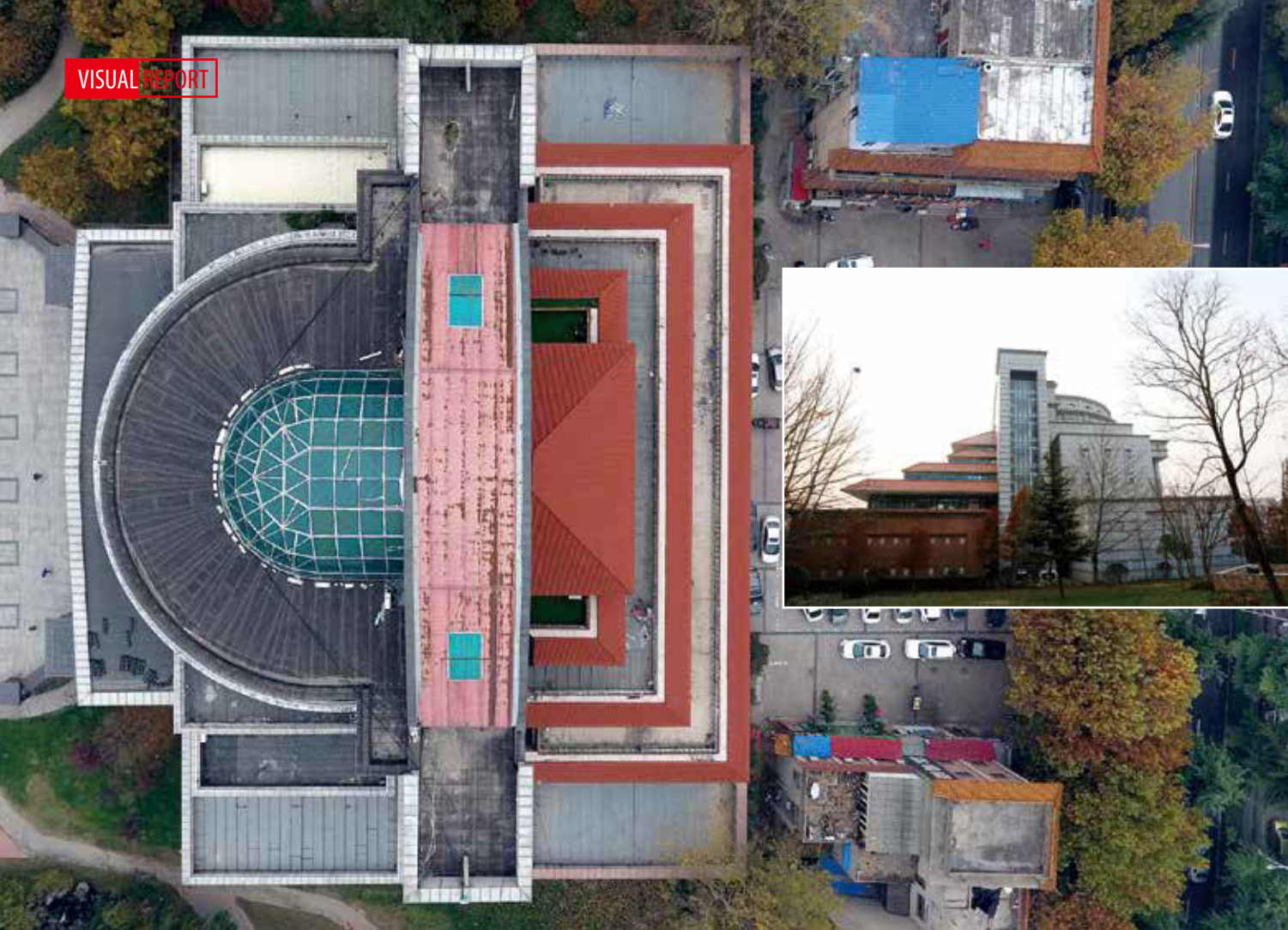
The showy structures have divided Chinese opinion. Some say the buildings bring an air of worldliness. Others criticise them for lacking originality and argue schools should spend their money on educational facilities and talent, building libraries and laboratories instead of paying costly homage to icons from elsewhere.

Wuhan Institute of Bioengineering has built a large, pricy, 1.6-kilometre-long campus Great Wall



East China Jiaotong University's Institute of Technology in Jing'an, Jiangxi Province boasts a copy of the Forbidden City





American-owned SIAS International University in Zhengzhou, Henan Province, combines the most recognisable landmarks of Beijing and Washington into one building, with the northern side copying the White House and the southern side Tiananmen Square

The campus of Henan Agriculture University in Zhengzhou, Henan Province, has replicated Paris's Arc de Triomphe





The main building of two colleges in Shenyang (above left and below left) and one college in Sichuan (right) bears a striking resemblance to the United States Capitol Building



These buildings at Hangzhou Xuejun High School make the campus resemble the set of a Chinese period drama



Huashan

Walking the Plank

Climbing this sacred mountain is certainly enough to get the blood pumping

By Francesca Triggs



COURTESY OF FRANCESCA TRIGGS

Often referred to as the most dangerous hike in the world, Huashan – or Mount Hua – is home to some of China's most awe-inspiring views and vertigo-inducing walks. While recent safety measures mean that it is no longer as dangerous as some would claim, it's certainly enough to get your heart racing.

Formed by granite around 70 million years ago, Huashan has deep religious significance as one of the Five Great Mountains of China. You can spend days hiking each of Huashan's five peaks (North, South, East, West and Central) – which together are said to resemble a lotus flower, and visiting the dozens of stunning Taoist temples and caves tucked into the mountainsides. Many spend a night on Huashan's West Peak to watch the sun rise over the mountain's towering crags. However, for those like us with only a day to spare, it's possible as a day trip from the nearby bustling city of Xi'an, capital of Shaanxi Province.

Rising early, we caught the first high-speed train to Huashan North station, a scenic ride which provided us with our first glimpse of Huashan's impressive form. On arrival, we were mobbed by taxi drivers, who insisted there were no buses and that they were our only chance of reaching our destination. Savvy to such ploys, we walked past them to where a green minibus was waiting to carry people up to the visitor centre, free of charge. Tickets to the park include transportation via shuttle bus to the north side where we began our hike. There is a longer, much more challenging hike from the West Gate which provides an even more scenic journey (and gloating privileges), but if you're doing a day trip, you will not have time to take this route as well as visit all the main attractions at the top.

It took two hours to reach the top of the North Peak cable car, a relatively quiet climb providing glimpses of the mountain's dramatic scenery which has remained unchanged for thousands of years. Far below us the

Yellow River wound its way like a silver ribbon across the plain.

After admiring the stunning views from the North and Central Peaks, we made our way towards what had initially drawn us to the mountain – the infamous Plank Road in the Sky. Built into the side of the East Peak, a wooden plank walk drilled into the rock hovers over several hundred metres of thin air. For a small fee – about 30 yuan (US\$4.3) for a harness, tourists can purchase a substantial adrenaline rush, as every day crowds flock to make the return journey along the walkway to a tea house a terrifying two dozen metres away.

As we approached the East Peak we began to hear shrieks (both male and female) echoing from the cliff side where tourists who, despite a crippling fear of heights, had ventured, seduced by the promise of extremely beautiful views and daredevil photos. Before too long we reached the front of the line where we were fitted with a harness, which

PRACTICALITIES

The high-speed train from Xi'an North Railway station takes 30-45 minutes and costs 55 yuan (US\$8). Alternatively the slow train takes two hours (20 yuan (US\$3)).

Standard price for park entry is 180 yuan (US\$26), concessions available, and is valid for two days.

Shuttle buses from the tourist centre go to either the North or West gate.

Cable cars cost 140 yuan (US\$20) each way in peak season March 1-November 30) and 120 yuan (US\$17) in the off season (December 1 to February 28). Students and children pay a reduced price.

If day-tripping from Xi'an, you will probably only have time to walk either up or down, taking the cable car the other way. I would recommend walking up early while you still have energy, and taking the last cable car down. At peak season you may wait from one to three hours for the cable car ride up the mountain.

The paths are well signed, providing distances and estimated walking times between peaks.

Layer up – the weather changes quickly! Returning to Xi'an: either take a taxi back to Huashan North Station and a return train back to Xi'an, or catch one of the many buses available from Jade Spring Temple to Xi'an Railway Station.



The path up the West Peak of Huashan

The plank walk around Huashan's East Peak

we were later advised would have done fairly little to stop us from plummeting to the ground should we have fallen. Luckily no one lost their balance, although I've heard rumours that around a hundred people a year lost their lives following a swift descent from the spot. We clipped ourselves onto our lifeline (a single steel cable) and, after leaving our possessions by a small temple where some people were praying rather vehemently, we made our way down a steel ladder drilled into the mountainside, stopping frequently to let returning, pale-faced adventurers clamber over us. This was actually much more nerve-racking than the actual plank walk itself, as we were all hooked to the same vertical cable – if someone fell, they wouldn't be going down alone.

The plank walk itself would have been rather tame, had we been the only visitors – it was made rather less so by the efforts of elderly tourists who clung to us as they passed, yanking at our harnesses as if their life

depended on it. I got the strong impression that they would have happily sacrificed us to the mountain gods had it guaranteed them safe passage back to their tour bus.

The whole return trip took about an hour, most of which was spent waiting around due to traffic on the walkway, but the breathtakingly beautiful views kept us entertained and we snapped hundreds of photos. In fact, the whole process felt pretty safe – that is until one man stopped me on the most precipitous point of the return climb to attempt a selfie with me, stepping on my hand in the process. Happy to be back on solid ground we spied, with amusement, a green screen photo booth providing simulated plank-walk photos.

A short hike later and we were at the South Peak, which at 2,154 metres is the highest

peak of Huashan, and the view from the top is accordingly absolutely spectacular. Beside the stone slab marking the peak is a heavenly pool which is said to never dry up in the dry season, nor overflow during the rainy season. I was tempted to stay and examine this for myself as dark clouds began to roll in, but instead we continued on to the more touristy West Peak.

It is said that the changeable weather conditions do not detract from, but rather add variety to the beautiful mountain landscapes, with "Snowy Huashan" and "Cloudy Huashan" being particularly popular. We tried our best to appreciate the beauty of "Torrential Rain Huashan" while making a beeline for the cable car station. The ride down the West Peak Cable Car provided an impressive end to the hike – the rain had stopped and, emerging from the tunnel, we were carried gently away from the dramatic silhouette of the mountain, standing majestic and unmoving in the grey evening mist. ★

Crowd-sourcing My Identity

By Frank Hersey

Before I started travelling to and then living in China, I wasn't British. Well, I may have been born and brought up there. And it may have been a British passport with my China visa in it that I was carrying, but I wasn't overtly aware of being a particular nationality before landing in Beijing. Spending time in China lets you learn not just about the country itself, but leads to some pretty heavy and frequent reflection on one's own homeland. Over the years, the Chinese people's stereotypes of what it is to be British have changed considerably, letting me see through their eyes how Britain's standing in the world has evolved, devolved and almost dissolved.

"Oh, London fog! Afternoon tea!" was the general reaction to my provenance when I first started coming to China in 2001. Whether on a minibus in rural areas or lining up for tickets for the Forbidden City in Beijing, these two observations were almost entirely consistent and somewhat puzzling.

After a bit of clarification both with the local interlocutors and my parents, I confirmed the "London fog" was the terrible smogs of the 1950s. So my national identity was made up roughly by half of pollution that had ended half a century ago, and half by a tea ceremony I'd never taken part in. I was a little jealous of China's chopsticks, pandas, ping-pong and the Great Wall, which perhaps make up the equivalent British reduction of China.

Almost every time I interacted with someone – waiter, taxi driver, train conductor, old man who's just crossed eight lanes of traffic to speak to me – I'd be asked where I'm from, something that would take a lot longer to come elsewhere in the world. Heck, it can even be the opening gambit from a stranger in China, forming a no-nonsense hello.

I'd gone from simply going about my daily life in England with only the occasional glimmer of national awareness when renewing my passport or going on holiday, to announcing my nationality up to 50 times a day.

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Chinese people of all ages, but most commonly parents pushing school-aged children towards me, were also interested in me for my native tongue. There weren't that many foreigners in China to go around, and fewer still those who spoke British English, the peculiar dialect which some schools and universities chose to teach. I learned for the first time from disgruntled students that our version of the language we'd inflicted around the world was much harder, as unlike US English, we fail to pronounce half the letters in our words.

As my Chinese improved, I'd hear a little more about my country, typically on the issues of Hong Kong, the notion of the English gentleman and football. I heard less about

the fogs as China realised it had its own to worry about, and less about afternoon tea (a shame, as by then I'd actually had some and was more comfortable talking on the subject). China's fast-growing economy was front of mind for many. China entered the WTO, secured the 2008 Olympics. Britain was instead setting itself up for a financial crisis. While people would still ask where I'm from, the conversation would flip to the strength of the pound, UK housing prices and my salary.

I slowly went from a gentleman linked to a bygone era of perceived colonial greatness, to a business adviser and university application consultant. Neither fitted me particularly well so it was pleasing to realise in the big cities that people were starting to be less interested in my foreignness. I could go a whole day in Beijing without being asked where I was from. I was losing my identity again.

Until 2014's Scottish Independence Referendum. "Why would you let them have a vote on that?" For the first time there was a thirst for understanding the nuances between the parts that make up the UK, and I became English. Scotland decided to stay within the union, which in terms of talking to people in China, was a bit of a shame, but then at least we weren't so crazy after all as we must have known they'd vote stay.

The next significant development in what it means to be English/British came quickly. The UK-wide referendum on whether to leave the European Union once again saw a national-level incident have a significant impact on my own identity in China. And this move made me a representative of a nation of idiots at best, more likely an island of the clinically insane. Clearly I was smart enough to get away. In a relatively short time I'd gone from a knight to a blight and await with some trepidation the next obvious milestone in my makeup: leaving the EU in March 2019 and all the potential national embarrassment that will come with it. Maybe I'll have some Chinese lessons specifically on my defence speech before it happens. ★

Mind Your Language

By Amy Snelling

There's a scene in the film *Lost in Translation* where actor Bill Murray, on a work trip to Tokyo, hops onto an elliptical, presses a few buttons, and the machine rapidly spins out of control as he tries to navigate the Japanese instructions firing out at him. While I've never had to deal with rogue gym equipment, this is a scene that I find all too relatable – that feeling of being completely and utterly out of control thanks to a language barrier.

As someone who isn't generally totally horrible at learning languages, I naively touched down in China loaded with the absolute basics (hi, bye, thanks) alongside a few random words and an unfounded air of "I've got this," an air that was swiftly knocked out of me as soon as I stepped off the plane. As I congratulated myself for having passed the first challenge of making it through passport control (I take the silent approach, which seems safest), I watched as every suitcase slowly takes its turn on the baggage carousel, except for mine. I waited it out a bit, putting off the inevitable, until I saw the one remaining case come round for a second time, accept the fact that mine is not coming and that I'm going to have to deal with it.

Thanks to a severe lack of foresight, I had no functioning phone to help with the translation and so I uncertainly wandered over to an official looking individual and gave him my finest "Ni hao." My Chinese exhausted, our "conversation" devolved into a bad game of charades in which I frantically tried to mime a suitcase, arms flailing all over the place, and the unsuspecting official alternated between trying to direct me to the neglected suitcase on the baggage carousel and the toilets.

A few days in, suitcase retrieved, I started to venture out on my own to restaurants. The thing is, I'm a vegetarian, which in itself can pose enough of an issue in China at times, but paired with the fact that for some unfortunate reason I taught myself to say "I am a vegetable person" instead of "I'm a vegetar-

My Chinese exhausted, our 'conversation' devolved into a bad game of charades in which I frantically tried to mime a suitcase, arms flailing all over the place, and the unsuspecting official alternated between trying to direct me to the neglected suitcase on the baggage carousel and the toilets



ILLUSTRATION BY LIU XIAOCHAO

ian," and spent about a week (or two) using that peachy line on soon-to-be confused wait staff in restaurants, it proved doubly challenging. I was mostly met with blank stares and a repeat of the dreaded question, "But what do you want to eat?" At this point I generally took a gamble and pointed at one of the more meat-free looking options, which actually rarely worked because, as I was soon to learn, pork often plays a supporting role even in vegetable dishes as flavouring.

At the more terrifying end of the scale, a month or so in during a late-night taxi ride I was forced to try and talk my driver out of falling asleep at the wheel. Armed with a limited bank of conversation starters ranging from "What's the date today?" to "Where is the bank?" to "The book is on the table," I managed to piece together a disjointed chat that I can only assume confused him out of his slumber.

Over time, as I carefully continued to navigate the pitfalls of everyday language barriers and my Chinese progressed little by little to something resembling what you might call conversant, I've still had taxi drivers try to drop me off in the wrong place more often than I care to admit, I've been prescribed unknown medicines for unknown illnesses, and even unintentionally almost entered a political debate after using the wrong tone to tell my landlord that my partner didn't like cats (*māo*).

I broke into an actual cold sweat when I arrived home one day to a house without electricity, realised it had been cut off thanks to a mislaid, overdue bill, and that I had zero idea of what to do next. I called a number I found on a utility bill (or so I thought) and spent the next 10 minutes asking someone at the bank if they could please switch my electricity back on. When I finally grasped what the person on the other end of the line had been saying to me over and over, "This is ICBC bank. Do you need help with something banking related?" she took enough pity on me to actually give me the phone number of the power company, after which the process started all over.

Frustrating though it might be, this self-inflicted impediment does come with an upside. When learning one of the hardest languages on the planet, overcoming any tiny challenge is surely a gold star victory. And even though it's only a matter of time until I next find myself lost in translation, the more I study, the further away I hopefully get from being thrown off a possessed elliptical. ★

Returning Chinese

By Mina Yan

When it comes to comfort food, no bastardisation of an authentic dish is too much for me. Hear me out. If I'm down in the dumps I'll choose Papa John's (and their garlic butter dip) over an authentic Italian thin crust pizza any day. Hell, I'll even take Panda Express over "real" Chinese food. What's the difference? Like the pizza, if you grew up eating the real deal, you know these "fake" American versions are nothing alike.

But that doesn't mean they're not delicious.

In the US, we've all heard that many of our favourite Chinese dishes are anything but "authentic." As a Chinese-American, I have lost count of how many times Chinese guests ranted about their inability to find "real Chinese food," and about American-Chinese cuisine being too sweet. But the times are changing and, like an ABC (American Born Chinese), these "fake" Chinese foods are making their way back to the motherland.

Take fortune cookies. Surely the most iconic food in Chinese restaurants worldwide must be the crispy, sweet snack that comes with a message. Every Chinese restaurant in the US will give you one at the end of your meal and they are American, not Chinese. They might

have been invented by a Chinese immigrant to Los Angeles named David Jung who put Bible verses inside and distributed them to the homeless. Or perhaps by a Japanese-American in San Francisco who used them to thank his friends. Whoever you believe, one thing is certain: a decade ago few in China had even heard of a fortune cookie. But today, trendy restaurants are handing them out to guests. Call it culinary appropriation.

Then there are US-style spring rolls – a staple of the greasy fare dished out at first wave Chinese restaurants America-wide. Once unheard of, they're increasingly popular in China's dim sum restaurants. Traditional Chinese spring rolls are much smaller than American ones – about the size of a chubby index finger instead of your palm. True to stereotype, the US offerings are packed with as many ingredients as you can fit – meat, vermicelli, vegetables – until they start to resemble a small burrito. With the increasing popularity and availability of imported ingredients like foie gras, Wagyu beef, truffles, and caviar in traditional Chinese recipes, local chefs have also started to make adjustments to portion size.



And then there's the sweet and sour chicken.

Slather that sticky, tangy, saccharine sauce onto anything and you have instant comfort food.

When I first came to China I thought it would be an inauthentic dish I had to leave behind. I could hear the voices of those Chinese family friends. Imagine my surprise when I saw it on a dim sum cart!

Sure, in China, it is slightly different. The original Southern Chinese dish is less sweet and sticky and often accompanies seafood (especially fried whole fish). Fish bones can be a struggle for Americans, and appear to have been replaced by a more universally accepted and readily available meat: chicken. In China, a dash of rice vinegar contributes an irresistible tang. Maybe that is one Chinese dish we shouldn't have messed with.

But all this gets me thinking about the idea of "authentic" food. Whatever position you take, whichever story you believe about who invented what, the foods themselves don't seem to care. And like true many ABCs, they're making their way back across the ocean to get in touch with their Chinese heritage. ★

real chinese

niangpao

"sissy" (slur)

Panic erupted over the inclusion of male pop idols in CCTV's back-to-school gala in September, with some viewers howling that the stars were *niangpao*, a slur meaning an effeminate man that translates roughly as the English "sissy" and is similarly homophobic. *Niang* means female and *pao* is a suffix – and the term belongs to an emotionally stifled paradigm where parents tell their boys not to cry and fear them being "feminised".

"Look at those performers, no one is masculine. I should have asked my boy to watch a

men's basketball match," went a typical tweet.

Things got worse when the official Xinhua News Agency backed the complaints in what many saw as an offensive commentary. "It will form an aberrant aesthetic... when more and more men like to elaborately dress themselves up like women... weak as water... we have to stay awake against [these idols'] negative influence on the children," it proclaimed.

In case anyone thought they were talking about Peking Opera, where men have dressed to perform female roles for hundreds

of years, they insisted that was different.

Others pushed back saying people should be free to be themselves. They pointed out there was nothing 'cowardly' or shameful about being a woman, nor being effeminate.

"Multiple aesthetics are the product of a peaceful, stable and prosperous society... We should not discriminate [or use] 'niangpao.' No type of physical appearance should prevent one from being a good man," commented *China Women's News*, a paper run by the All-China Women's Federation.

niáng pào
娘 炮

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