

LIU QIANG

# Diaoyu calls for strong steps

Despite China's strong opposition and warnings, the Japanese government went ahead with its plan to "purchase" the Diaoyu Islands from its "private owner". The tension between China and Japan over the Diaoyu Islands is very high and bound to make the future of Sino-Japanese ties more uncertain.

Japan intensified the Diaoyu Islands dispute because its long-term expansionary designs has encountered a new international strategic environment. This expansionary design is rooted in the Japanese nation's strong belief in its mightier-than-the-rest thinking. That is to say the "purchase" of the Diaoyu Islands is not just a farce orchestrated by Japanese right-wing forces, but an application of Japan's expansionary strategy.

Since the Meiji Restoration, which restored imperial rule in Japan in 1868, Japanese leaders have been pursuing expansion by launching wars to grab other countries' territories and resources. China was a victim of Japanese aggression in the late 19th century and the 1930s and 1940s until Japan surrendered unconditionally in World War II.

After the end of World War II, Japan was forbidden by international treaties to rebuild its military but it has not changed its expansionary design. There is no doubt that Japan's disputes with neighboring countries are the result

of its expansionary policies and that it used the Cold War, when China and the US were at loggerheads, to control China's Diaoyu Islands.

Japan's difficult political and economic situation has also helped intensify the Diaoyu Islands issue. The Democratic Party of Japan wanted to use the global contradictions to divert Japanese people's attention from the ills at home and win back public support by blowing the trumpet of nationalism.

Some Japanese scholars attribute the rising tension over the Diaoyu Islands to Chinese Navy's "buildup". This is ridiculous and not even worth refuting. In fact, it is another version of the "China threat" theory. Reaping the benefit of portraying oneself as a victim is a common trick in Japanese culture. China's moderate strengthening of its military is contrary neither to international law nor to international practice.

Today, the Diaoyu Islands issue has become a huge obstacle for the development of Sino-Japanese ties because Japan has seriously infringed on China's territorial integrity. Japan's naked act of aggression is the worst form of provocation for China, which will protect its territory at any cost.

Considering the overall situation of Sino-Japanese relations, China tried to reason with Japan not to take any drastic action in the Diaoyu Islands dispute. But Japan ignored China's

reasoning and protests to "purchase" the islands. This wrong and aggressive decision of Japan is very likely to escalate the Diaoyu Islands dispute further, and force China to take tough diplomatic or even military measures to safeguard its territory and sovereignty.

If Japan believes that grabbing China's Diaoyu Islands is more important than maintaining and developing amicable Sino-Japanese relations, then the Chinese people and government will also be compelled to say goodbye to reason. Once that happens, Japan may have to pay a heavy price for its stupidity and greed.

The United States is the real creator of the Diaoyu Islands dispute. In 1971, the US arbitrarily "transferred" the administrative jurisdiction of the islands to Japan. Though China strongly protested against such back-room US-Japanese deals and has called the treaty illegal, the US State Department recently said the Diaoyu Islands fall within the purview of the US-Japan security treaty. Japan took this remark as an encouragement from the US to seize Chinese territory.

As the closest American ally in East Asia, Japan thinks the support and protection it enjoys under the US umbrella will dissuade China from taking tough measures to resolve the Diaoyu Islands issue. It's highly likely that the US will jump into the fray if an armed conflict breaks out between China and Japan over the Diaoyu

Islands, but China fears none when it comes to protecting its territory and safeguarding its sovereignty.

In the 1970s, the then leaders of China and Japan reached an understanding to "leave the issue of the Diaoyu Island to be resolved later". Now, the Japanese authorities have violated that common understanding and forced China to deal with the challenge in its own way.

The Diaoyu Island and its affiliated islands have been Chinese territory since ancient times. This is supported by historical facts and jurisprudential evidence. It is time China resolved the Diaoyu Islands issue once and for all, because Japan has already rendered the earlier understanding invalid. More importantly, the Diaoyu Islands dispute could create endless more problems if not resolved soon and prompt other countries to try and walk in Japan's footsteps to grab China's territory.

We hope Japan would repeal its wrongful decision to "purchase" the Diaoyu Islands in time and honor the bilateral understanding of "shelving disputes to seek common development" to take Sino-Japanese relations forward. Otherwise, China will use all the means at its disposal to safeguard its territorial integrity and sovereignty.

*The author is a senior colonel and a professor at the International Security Research Center, International Studies University of PLA.*

ROBERT LAWRENCE KUHN

# Economic model must change

Every five years, the National Congress of the Communist Party of China is held to review the past and to plan the future. China's change has been astonishing. The Chinese people today enjoy higher standards of living, greater freedom of all kinds, and a more vibrant, tolerant society. China's economy is now the world's second-largest; it will likely become the largest, doing in decades what elsewhere took centuries.

But dramatic change causes pervasive problems. Can China achieve its goal of becoming a "moderately well-off society" in a world of turbulent markets and limited resources and in a society of social disparities and structural faults?

This challenge is what China's new leaders face.

China's economic miracle has been driven by investment and exports, both made possible by millions of migrant workers who personify China's most divisive and intractable problem — the economic and social gap between rich and poor, urban and rural, coastal and inland. But must economic development exacerbate social disparities?

China's growth model — cheap labor, low-cost manufacturing, and energy-intensive, high-polluting industry — has come to the end of its historic cycle. China's economy, built of the backs of poor workers, must be transformed. Workers no longer accept low wages, so China's economic model must change or China's economic miracle will end.

How can economic transformation work? Along China's east coast there are many enterprises that began as export engines, enabled by reform and fueled by cheap labor. When the financial crisis crippled overseas markets, many had to close.

The Newcomer Luggage factory in Zhejiang province made low-cost luggage for an international brand. It didn't make much profit and couldn't pay much to workers. But Newcomer changed its business model by creating its own innovative designs and branded products, increasing gross margins from 20-30 percent to 70-80 percent. Salaries of Newcomer workers doubled!

But making innovation work in the marketplace is complex, expensive, uncertain and unpredictable. In short, innovation is risky. Failure rates are very high. So failure must be accepted,

or innovation is impossible.

In China, small and medium-sized enterprises, largely private companies, drive the economy, generating about 60 percent of GDP and 50 percent of tax revenues, and providing 80 percent of urban jobs. Nonetheless, policies continue to favor State-owned enterprises, particularly with respect to financing. Less than 15 percent of bank loans go to SMEs.

How can SMEs finance their business cycles? Driven by necessity, an informal system of mutual local financing developed — a private capital chain, not legal, but not quite illegal either. The government didn't much like the gray-market financing scheme, but didn't stop it.

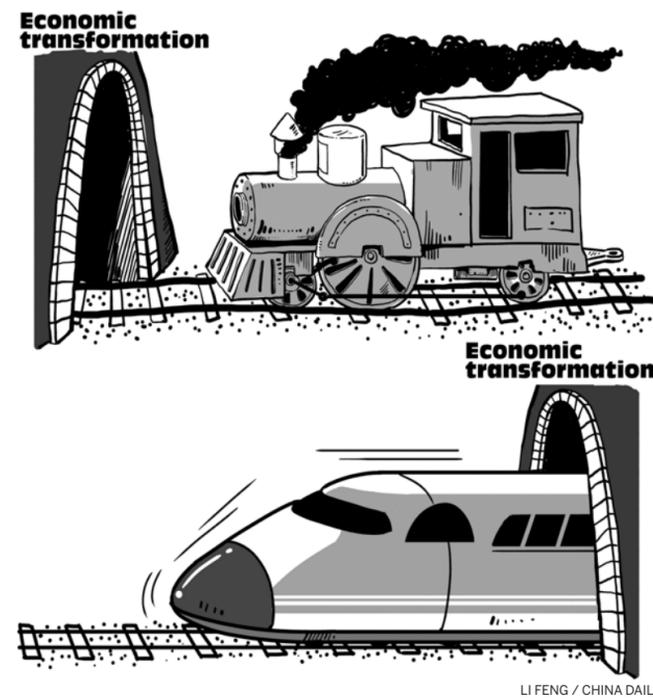
Henglong Small-loan Company in Wenzhou, the center of entrepreneurship in China, lends to small and micro agricultural enterprises — in total, more than 4 billion yuan (\$630 million). Henglong can set market-driven interest rates up to three times higher than what banks offer. (But to SMEs, "what banks offer" doesn't mean much because banks won't lend much.)

In 2012, State Council set up a pilot financial zone in Wenzhou, legalizing small loan companies.

If financial reform in Wenzhou affects private business, financial reform in Shanghai affects China's entire economy. Can Shanghai become a world financial center? I ask Fang Xinghai, director of the Shanghai Finance Office. "Shanghai serves a continental-sized economy, and we want to be New York and London," he says. "Let's imagine China's economy reaching the size of the US economy, the yuan becoming a fully convertible currency, and China's domestic financial market becoming fully open, then Shanghai can be at the same level as New York."

If finance is the blood stream of China's economy, manufacturing is its muscle. But for China to continue to grow, it must transform its manufacturing, with technology and know-how.

For example, before 2005, all marine crankshafts for shipbuilding in China were imported. Then the government established Shanghai Marine Crankshaft Company so the country could build ships entirely by itself. Although declining world markets cause losses, the State provides subsidies. What's more, China's political leaders come to give personal support.



Other business models are taking root in China, where State ownership and domestic manufacturing are not primary. Sany is China's largest heavy machinery manufacturer and is built on the twin pillars of private ownership and global expansion. Sany misses no opportunity to enlarge its global footprint. When the copper-gold mine in Chile collapsed in 2010, Sany sent a crawler crane to help with the rescue. When the massive earthquake hit Japan in 2011 and the nuclear reactors leaked, Sany sent a huge concrete pump truck to help cool them down. In 2012, Sany bought a German company and shook up the industry.

When going abroad, though, smooth sailing is not the norm and several Chinese acquisitions have lost money. But the pace continues. In 2010, Geely Automobile purchased Volvo.

Economic growth has a downside — pollution. Environmental damage is the scourge of China, and how to balance economic growth and environmental protection is a major challenge.

The Institute of Public Environment collects environmental data from across China, compiling a database with about 100,000 pollution statistics. With others, IPE launched "Green Choice" to encourage or coerce multinational companies to make their sup-

ply chain greener by monitoring their suppliers' pollution. Included are GM, Nike, Walmart and Coca-Cola.

There are cases where activists have forced polluting factories to move. After the government announced plans for a massive \$9 billion petrochemical plant in the wetlands of Nansha in Guangzhou, some people began to protest. Few took them seriously and it seemed a wildly uneven battle. On one side was the Chinese government, central and provincial; Sinopec, China's largest oil company; and Kuwait Petroleum, one of the world's largest oil companies. On the other side, a few professors, students, citizen activists. And because economic development is vital, even negative environmental impact would likely be ignored.

But not this time. After a protracted battle, the project departed Nansha. It was a shocking win for environmentalists.

China's new leaders know they face the challenge of continuing to improve the lives of the Chinese people. The Chinese people know it too.

*The author is an international corporate strategist and investment banker. He is the author of 'The Man Who Changed China: The Life and Legacy of Jiang Zemin and How China's Leaders Think (featuring China's new leaders).*

LETTERS

## The wonder that is China

*Comment on "Share your China Stories" (China Daily, Sept 11)*

I have traveled across almost half the world. For years, I had been longing to visit China, and last year I made it to the country. It was a mind-blowing experience. All the myths about China were busted and all misconceptions cleared. I returned with sweet memories of the land and the people.

I found the people on flights, in malls, in public places, and at airports and railway stations very helpful and amiable. Although at times there was a language problem, I experienced no real difficulties.

While in China, I was especially impressed by the state of public conveniences and washrooms. Unlike in many Western countries, they were meticulously managed and manned, fully equipped and superbly maintained. To top it all, they were free. Even a poorly maintained toilet at London Bridge costs half a pound for two.

My cousin frequently visits China for business purposes and spends several months every year in the country. He has the same impression of China and its people.

The next time I visit China, I wish to travel by Qinghai-Tibet Railway from Beijing to Lhasa.

RAM PATIL, on China Daily website

Readers' comments are welcome. Please send your e-mail to [opinion@chinadaily.com.cn](mailto:opinion@chinadaily.com.cn) or [letters@chinadaily.com.cn](mailto:letters@chinadaily.com.cn) or to the individual columnists. China Daily reserves the right to edit all letters. Thank you.

## FROM THE CHINESE PRESS

### What's in a name? A lot

*The unusual names of some freshmen in universities have come as a surprise to many. Though there is no specific rule for naming children, parents should give a thought to the names they choose for their offspring, says an article in Nanfang Daily. Excerpts:*

The names of two new students of Huazhong University of Science and Technology in Hubei province who share the same dormitory are Kang Xi (the title used by the fourth emperor of the Qing Dynasty [1644-911]) and Wang Zi (which means "prince" in English). And the name of a freshman in Nanjing Audit University is Yong Zheng (the title of the fifth emperor of Qing Dynasty).

Naming a child is a private affair of a family, and no country, including China, has hard and fast rules on the issue. But since ancient times, Chinese parents have chosen names for their children that are symbolic of cultural traits or certain personalities.

Parents have the right to choose unique names for their children as long as they are not a source of embarrassment. A person's name should not become the object of ridicule like what happened in Jiangxi province recently. Reports say that a freshman in Jiangxi was forced to quit school because he couldn't bear the comments of netizens on his name.

This should be a lesson for parents to choose non-controversial names for their children.

### Workers deserve their due

*A State-owned enterprise (SOE) in Heze, Shandong province, suspended two of the 15 workers' representatives for demanding higher pay. Later, the 13 others, too, lost their jobs for demanding the reinstatement of the two workers' representatives. Since the employees didn't violate any rules by demanding higher wages, they should not have been penalized in such a way, says an article in China Youth Daily. Excerpts:*

Irrespective of whether they make huge profits or are in the red, SOE managements decide the wages of employees arbitrarily and choose to pay executives many times more.

Workers in SOEs, according to China's political system, should be the owners. But it seems that in the Heze SOE the real owners are neither the workers nor the people at large, but the persons in charge. Otherwise, how could the management suspend the workers' representatives for demanding a pay rise?

The suspension of the representatives has as much to do with the economy as the denial of workers' rights.

Every rational private employer knows that well-paid employees remain loyal to the company and considering workers' demand for a salary increase is the first step toward gaining their confidence and helping the business grow.

But what some management personnel in charge of SOEs are most concerned about is how to make a fast buck rather than paying attention to their companies' development and/or employees' welfare. Some management officials even use the advantage of being government officials and exercise their "power" to make employees' life miserable.

Premier Wen Jiabao emphasized the dignity of labor last year. But the paltry amount that employees in the Heze SOE earn is far from being enough to lead a dignified life.

To ensure that workers lead a dignified life, they should at least have the right to demand higher pay, otherwise all the rules and promises would sound like empty talk.

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

YANG YI

# Aircraft carrier protects peace

After 10 test sails, China's first aircraft carrier will be in service soon. This has caused widespread concern among the international community, with foreign media claiming China is putting more pressure on Japan amid the intensifying discord over the Diaoyu Islands. Some have even been speculating that the aircraft carrier will take part in military operations against Japan, and if so, this will have a huge impact on other countries that have maritime territorial disputes with China, resulting in a deteriorating external diplomatic and security environment for China.

In fact, there have been all kinds of criticism and speculation about the aircraft carrier's presumed role. However domestically, most people have welcomed the news that the country's first aircraft carrier will soon be in service. Although, some people think that it has done more harm than good spending so much money to refit an old aircraft carrier rather than building a new one, and some have expressed doubts about the combat effectiveness of a remodeled vessel.

Nevertheless, the development of aircraft carriers is an important part of China's national defense modernization, in particular its naval forces, and this aircraft carrier is an essential stepping stone toward its own more advanced aircraft carriers in the future.

When all the major powers, and even some small and medium-sized countries, own aircraft carriers, it is natural that China should have its own aircraft carrier. To achieve China's great cause of national rejuvenation, China should not only be a land power but also a sea power. While China is facing the threat of various external security challenges, the development of its aircraft carrier has become the common aspiration and will of the entire nation.

After it comes into service, the aircraft carrier

will be mainly responsible for scientific research and training missions to accumulate the experience and technology necessary for China to build a more advanced aircraft carrier platform in the future, and to explore and gain practical experience for equipment development, personnel training and joint military operations within the navy and with other military services. In a sense, the aircraft carrier can be seen as an "experimental field" for China's modernization of its navy.

China's adherence to the path of peaceful development and its national defense and military strategy, which is defensive in nature, will not change when the aircraft carrier comes into service. China not only is, and will continue to be, the powerhouse of continued regional and global economic growth and development, it is also an important force promoting regional stability and world peace.

China has vast sea areas and huge maritime rights and interests that it needs to protect, and China's growing overseas interests require a strong navy to provide security guarantees. Regional stability and world peace also call for the Chinese navy to play a more active and substantial role. China, which was once coerced by Western powers invading from the sea, can no longer ignore the importance of maritime defense. However, it will never pursue a "gunboat policy" and bully weaker countries.

In the face of a rising China in economic, political, cultural and military strength, it is inevitable that some countries will be suspicious about and misunderstand China's intentions. In order to counterbalance the theory that its new aircraft carrier is a threat, China must not only continue to make clear its strategies and policies, it must also take practical actions to convince the world that with the development of China's military strength, especially the

strengthening of its overseas projection capability, it will enhance its role as a defender of regional stability and world peace.

At present, China's national security faces complex, diverse challenges, and to safeguard its national security and maintain a favorable external environment is the premise for China to achieve its strategic goal of building an all-round well-off society.

In dealing with the territorial and maritime rights disputes with some neighboring countries, China has remained committed to solving the problems through diplomatic channels and negotiations, and opposes the use of force or threat of force. China's sincerity is well known and should not be doubted.

But China is tough-minded and will resolutely safeguard its sovereignty and national dignity. We stand for peace, but we are not afraid of any threats or intimidation. China should continue to modernize its military forces step by step, including the building of aircraft carriers. When China has a more balanced and powerful navy, the regional situation will be more stable as various forces that threaten regional peace will no longer dare to act rashly. China's military forces, especially its powerful naval forces, can provide the international community more "public security products" that are enough to stop the impulse of any country to attempt military adventures. Maintaining regional stability and world peace needs not only the development of China's military might, but also increased cooperation with other countries. China will continue to cooperate with all peace-loving countries and forces to work together for regional stability and world peace.

*The author is a rear admiral and former director of the Institute for Strategic Studies at the People's Liberation Army National Defense University.*

LETTERS

## Much ado about vending machines

*Comment on "Shocking sights in schools" (China Daily, Aug 28)*

Students in Shenzhen and Guangzhou high schools may seem too young and immature to get condoms from vending machines, but many of them need protection at an early age because that's when they are most inquisitive and more prone to contracting sexual diseases or becoming pregnant.

In the United States, many 12 to 15-year-olds are experimenting and starting to become sexually active despite the advice of their teachers and parents to the contrary. US high schools do not have condom-vending machines but they do have mandatory health classes for students. These classes help students learn more about their sexual health and how to make an informed decision.

Making condoms available in vending machines should not be seen as strange or shocking because students need to know that condoms are not a bad thing. The use of condoms will help prevent teenage pregnancy and sexually transmitted diseases. And vending machines will help alleviate the embarrassment of students who are too shy to buy condoms elsewhere.

KELLIE GIORDANO, on China Daily website

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## FROM THE CHINESE PRESS

### Youths must learn lessons of life

*A 74-year-old woman in Dalian, Liaoning province, recently received a parcel containing a pile of clothes and socks from her granddaughter who had just entered college. But the young woman sent the clothes to her grandmother because she couldn't wash them and wanted the old lady to do it and send them back to her. This may come as a surprise to people who expect youths to know the basic skills of survival, says an article in China Youth Daily. Excerpts:*

It is well known that today's children have been spoiled by their parents and lack the ability to take care of themselves. Though the news of the college student in Dalian mailing her laundry home is an extreme case, it mirrors, to some extent, the less-than-flattering qualities that many of today's university students possess.

Housework, such as doing the laundry, is the "first class" that should be learnt early in life, because washing clothes and knowing the basics of cooking are the fundamental qualities a person should have to survive in modern society.

Students and parents both are to blame for today's youths' ignorance and inability to cope with modern life. But parents cannot change their habit of sheltering and thus spoiling their offspring overnight especially because of the pressure of homework on students in today's exam-oriented education system. Parents could at least start by preparing their children for the demands of everyday life and future hardships.

Besides, we have to look for effective and practical measures to tackle such problems. Perhaps a "life training" program, akin to the one in the military, could teach students some basic facts of life and skills to survive in modern society.

### The trouble with credit cards

*The parents of a young man, who earns about 2,000 yuan (\$317) a month and boasts 25 credit cards, had to sell their house to repay their son's debts. The youth's case shows that the own-a-credit-card campaign makes it convenient for people to possess a credit card, which can also create unexpected trouble, says an article in Xinmin Evening News. Excerpts:*

When applying for a credit card, most people tend to focus on how much credit they will get, and neglect the amount of interest they will have to pay. In fact, bank clerks are obliged to warn customers about it, but only a few do so.

According to a recent People's Bank of China report, up to the first quarter of 2012, Chinese banks had issued 3.1 billion bank cards with an increasingly fast growth in overdrafts on credit cards.

Civil disputes and even criminal cases have been triggered by bank cards. Some banks play word games with obscure clauses, which seem to grant special favor to consumers but actually sow the seeds of potential trouble.

As their social responsibility, banks should conduct thorough and careful inspections of customers and cross-check the personal information provided by them. And they should evaluate the results carefully before issuing credit cards with appropriate overdrawing limits.

When receiving credit card-related business, it is obligatory for bank employees to give detailed explanations on customers with high default rates after the grace period.

A bank should also share the history of "bad" credit cards with other banks and strictly control the number of credit cards an individual can get from different banks to prevent overdrafts to non-payable limits.

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ROBERT LAWRENCE KUHN

# The 'big four' concerns of Chinese

An ancient Chinese philosopher described the perfect society as "living in harmony, treating others as family... there is love and caring for the elderly... nourishment and education for children... kindness and compassion for widows, orphans, the disabled and the sick".

Historically, such harmony is the standard of happiness.

But now, after vast economic development, are the Chinese people happy?

What I hear are the "big four" social concerns: education, healthcare, housing and retirement.

These challenges are what China's new leaders face. For over two decades, I've witnessed the astonishing growth of China's economy. At the same time, I've watched burgeoning economic disparity and social inequality between rich and poor, urban and rural, become China's most severe and alarming problem. I've wondered, could equality in education be a partial solution?

If I'm a poor migrant worker, but if my child has an equal opportunity for a good education, and thus has an equal opportunity for a good life, I'd be more willing to endure my own hardships.

How to provide equality in education? I visit the Jin Ding elementary school in Shanghai, where all the students are children of migrant workers. Sure, they're better off here than they'd be in their rural hometowns, but how will they feel when they realize that they're not like the children of Shanghai residents?

There are more than 200 million migrant workers in China. In Shanghai alone, there are about half a million children of migrant workers. Over 40 percent of students in Beijing and Shanghai are non-residents. At best they are second-class citizens.

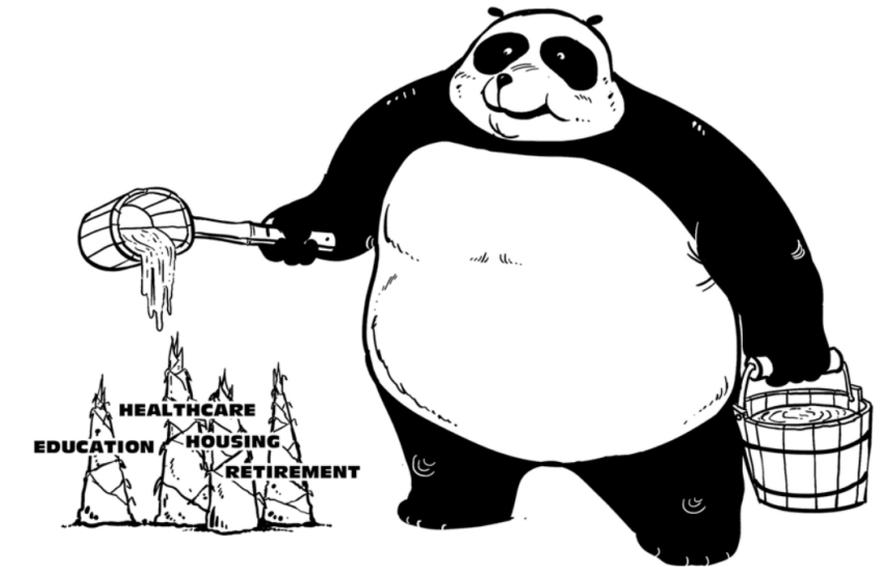
Migrant workers built these cities, and through education they expect to change their children's fate. But even for successful migrant families, their children cannot overcome structural barriers. They may dream of going to college, but they cannot. According to current policy, migrant workers' children receive compulsory education from elementary through middle school, but if they do not return to their hometowns when they reach 9th grade, they can apply only to vocational schools. This means their careers will be similar to that of their parents' — construction workers, hotel attendants, maids, cooks. And if they do return, the education is so inferior they will not pass the rigorous college entrance exams.

Worse are the "left-behind children", the multitudes of rural kids, 60 million of them, who have not moved with their parents to the big cities. Their parents return home generally only once a year, and then only for a short visit. "Left-behind children" are a national heartbreak.

Disparities in education cripple the capacity of education to make opportunities equal, to level the playing fields of life and career. For many, the "Chinese Dream" can never come true.

In 2012, Premier Wen Jiabao promised that educational funding would grow to 4 percent of China's GDP, a major commitment to China's future.

Healthcare affects everyone and China's system suffered in the transition from a planned to a market economy. No one is satisfied, not patients, not doc-



LI FENG / CHINA DAILY

tors, not society.

At 7:30 am I arrive at Ren Ji Hospital, one of Shanghai's best. The lobby is packed with people, many already waiting for hours. Ren Ji was built to treat 2,000 patients a day; it now handles 8,500. Something has to give: care, costs, service, time. The system is overburdened: hospitals are besieged and doctors overwhelmed.

So an underground economy, insidious and illegal, has spawned. Scalpers exploit the vulnerabilities of patients frustrated by long waiting times. They arrive at a top, in-demand hospital early, register, and then resell their short-wait positions to desperate, real patients who arrive later. Scalpers charge up to 500 yuan. Another odious practice is *hong bao*, the "red envelopes" stuffed with cash that patients must all too often use to bribe doctors.

Imagine a system in which you must wait for hours, your doctors are overworked and underpaid, you may have to pay scalpers or offer bribes, and you only get five minutes of care. Moreover, healthcare in China is wildly uneven. In some rural areas, medical services are dangerously scarce, and when available, decades behind.

In 2009, China launched healthcare system reform. In three years, basic medical insurance covered 1.3 billion people, about 95 percent of China's population. And a rural cooperative medical service system provides basic medical care.

When I ask young adults in China's big cities, "What's your biggest problem?", they do not hesitate. "Housing," they often exclaim, "Housing prices."

Those who move to Beijing are called "Beijing Dream Pursuers" — to own a home in Beijing is the ultimate goal. But "the sandwich class" are people caught between having too much money to qualify for public housing and not enough to buy private housing — at least not in the areas they'd like.

The housing price problem is severe, and the din of complaints, especially among young adults, is intense. This gives the government a major housing headache: How to control housing prices, but with-

out harming the real estate market? Because while escalating housing prices aggravates urban buyers, China's entire economy is rooted in real estate.

China's leaders tell me that they need to stimulate the domestic economy by increasing consumption. But the Chinese people resist spending. They prefer to save. Why? They worry about retirement.

Chinese society has become an aging society; each year the elderly population increases by 8 million. In Shanghai, people aged 60 and above constitute about 25 percent of the population.

In downtown Shanghai, it's now hard to find a nursing home vacancy. In response, the municipality proposed that 90 percent of the elderly stay at home and only 10 percent go to nursing homes. But with one-child families and careers demanding more work and travel, if the elderly stay at home, who can care for them? (In traditional Chinese society when large families lived together caring for seniors was shared.)

Responding to the aging society, Shanghai is the first city in China to extend the retirement age. The new "flexible retirement policy" enables some males to retire at age 65 and females at age 60. To provide income for retirement, Shanghai will test the first "personal, tax-deferred pension insurance system".

China's overarching goal is to become a "moderately well-off society". To achieve this, China must solve the "big four" social problems — education, healthcare, housing, retirement. China's leaders recognize it. China's people demand it.

A personal note. Commentating about China invites critique, and one of the criticisms leveled against me has been that much of my work focuses on State leaders, not common people. China's Challenges brings me to China's grassroots. To know China, one needs to know both leaders and people.

*The author is an international corporate strategist and investment banker. He is the author of 'The Man Who Changed China: The Life and Legacy of Jiang Zemin and How China's Leaders Think.'*

MEI XINYU

# Telecom sector not in trouble

The telecom equipment manufacturing industry is the pride of China. Chinese enterprises are surpassing their foreign counterparts in the technology-intensive and capital-intensive industry. China's telecom equipment manufacturing sector has gained advantage in the fiercely competitive market and attracted globally reputable companies.

Huawei and ZTE had been the world's second and fifth largest telecom equipment makers for years. But after Huawei's sales revenue touched 102.7 billion yuan (\$16.07 billion) in the first half of this year, it overtook Sweden's Ericsson to become the world's largest telecom equipment maker.

The development path of China's telecom equipment manufacturing industry, however, is becoming increasingly problematic, both economically and politically. Fearing that China would challenge its hegemony, the United States has dealt one blow after another to Chinese telecom equipment makers. As a result, Huawei and ZTE cannot function in the US market freely.

In 2008, the US used national "security concerns" to derail Huawei's proposal to join hands with Bain Capital, a politically reputable equity company, to acquire 3Com. Similar designs prevented the Chinese company from acquiring the wireless network division of Motorola. In 2010, Sprint Nextel excluded Huawei and ZTE from a contract worth billions of dollars, again because of Washington's "security concerns".

The US also prohibited Huawei from participating in the construction of its National Emergency Communications Network and stopped it from buying part of the assets of American computer company 3Leaf Systems. And on Oct 8, the Intelligence Committee of the US House of Representatives issued a report that said: "Huawei and ZTE cannot be trusted to be free of foreign state influence and thus pose a security threat to the United States and to our systems." The report recommends that US regulators block mergers and acquisitions by Huawei and ZTE in America and that US govern-

ment computer systems not include any components from the two companies. The reason: Huawei and ZTE equipment can be used to send information to China through remote control.

Given the importance of the US market in the global economy, Washington's move would create political risks for Chinese telecom equipment makers in other overseas markets, even though the accusation that the two Chinese companies pose a security threat to the US is untenable.

Many of the questions the House Intelligence Committee asked were related to crucial business secrets that could not be made public. Besides, the committee's report misunderstands and distorts the relationship between Chinese companies and commercial banks, and it revels in speculation instead of coming up with evidence. The report defies logic, because Huawei, ZTE and the Chinese military can never be "backdoor" espionage collaborators. How can a government whose "central task" has been "economic construction" for the past three decades engage two of its leading companies in "backdoor" espionage and jeopardize the future of the country's key industry?

The country that masters the art of "backdoor", as well as "open", espionage is the one that has enjoyed monopoly in technology for decades. And it knows that even if consumers discover that their systems have been compromised they can't do much to correct them.

Since the Chinese are latecomers to the global telecom equipment industry, the products made by companies such as Huawei and ZTE are highly substitutable. Had such companies been using their products for "backdoor" (or any other form of) espionage they would have been kicked out of overseas markets rather than becoming leading players in the telecom equipment sector.

Moreover, would Chinese decision-makers use as "espionage partners" companies whose products can be easily replaced? The reality is, Huawei and ZTE not only have excellent safety records, but also have taken a series of measures to improve transparency to win the trust of

consumers. Despite Huawei occupying one-fifth of the global mobile communications equipment market and 45 of the world's top 50 telecom service providers using its products, no security incident has been reported so far.

Huawei has also taken a series of steps to improve transparency in the US market and offered its equipment for safety tests by a third party. But nothing, it seems, would make the US accept the facts.

In February 2011, Huawei issued an open letter to the US government, in which it allayed Washington's safety fears over its equipment and sought a thorough investigation into its business. Had Huawei been afraid of being found out would it have made such a move?

The House Intelligence Committee's report, though a setback for Huawei and ZTE, will not necessarily become the US' government's policy. And in case it becomes the US' official policy, the chain reaction would be too devastating for the American market to withstand. Therefore, Huawei and ZTE should not rush to

abandon the US market.

Also, Chinese companies should give up the idea of winning Americans' trust by listing in the US, because such a move will cause many side effects. This is a lesson Chinese companies that went public in the US have learned. Instead, Huawei and ZTE should focus on improving their technologies further and make efforts to expand their shares in the markets of Europe, Japan, the Republic of Korea and emerging economies, where political risks are not as high as in the US.

So long as these markets grow faster than the US' (which is highly likely) and Chinese enterprises maintain and even increase their market shares in them, they don't have to worry too much about the setback in America. And patience will ultimately pay, because these companies' sustained efforts will prompt the US to shed its bias.

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PANG LI / CHINA DAILY

ROBERT LAWRENCE KUHN

# China can produce. Can it create?

Three generations of Chinese leaders have set the goal that China becomes a "moderately well-off society". Achieving this, by around 2020, will not be easy. China must transform its industries so that enterprises provide higher value and generate higher profits, which enable higher wages for workers.

The key is innovation. Science and technology must be emphasized and commercialized, education must infuse society with creativity, and intellectual property rights must be protected.

The challenge of innovation is what China's new leaders face.

Paradoxically, creativity in China often begins with copying. In Dafen village, more than 2,000 artists, working on oil-painting assembly lines, mass-produce classical masterpieces of Van Gogh, Picasso, Monet, Raphael and Da Vinci, such as Da Vinci's *Mona Lisa*. Dafen controls 60 percent of the global oil-painting market.

But when the financial crisis hit, painting factories lost foreign orders and many went bankrupt. Painters had to turn to China's domestic market. Only a few could transform themselves from duplicators to originators, but that transformation is the big test for China itself.

Shenzhen is a vibrant metropolis, the cradle of China's reform. In the city center is the world's largest mobile phone market, supplying 80 percent of China's phones. Many are counterfeit, but who says the Chinese can't innovate? I can buy cheap phones with whimsical functions — such as supporting Excel, working a weapon (defensive), or blessed by a mysterious monk. With one phone, not only can I make calls, I can also shave!

One nimble company controls nearly 80 percent of the mobile phone market in Bangladesh, a poor country far away, beating world brands like Nokia and Motorola. Why such success other than price? Imitation, improvements, and localization — which are "second-generation innovation".

In 2011, China recorded over 1.63

million patent applications, including 526,000 for invention patents, ranking first in the world.

Commercialization, however, is uncertain and unpredictable. Converting research ideas into marketable products is the dream of many inventors, but the marketplace is cold and unforgiving, and often a bridge is needed.

Huang Yan is a 31-year "patent manager" with a keen sense of how markets work. He has about 2,000 patent products in his portfolio, including an LED surface light source and a low-cost 3D printer. Huang's business method is clear: First, he determines the market demand, and then he finds the patents — not the other way around.

In 2012 China adopted the "national strategic emerging industry development plan". Target industries include energy saving, environmental protection, information technology, aviation, biomedicine and new energy vehicles. Energy is especially vital. China's lack of energy resources is a high hurdle for development. (China has surpassed the United States as the largest energy-consuming country in the world.) Hence, the worldwide race for new energy technologies.

Electric vehicles are key. The critical components — lithium batteries — derived from China's aerospace technology, specifically from the Shenzhen manned spacecraft (of which China is very proud). The Shenzhen battery system was developed by Wang Dong, who is now general manager of Shanghai Aerospace Energy Company, which builds batteries for electric vehicles. Stressing safety, reliability and long life, the company's batteries can be charged fully within half an hour. (When key high-tech firms cannot achieve economies of scale and make profits, the Chinese government may support them.)

As the electronics revolution was to the 20th century, the biomedical revolution will be to the 21st century. This time, China intends to be an innovator, not a copier; a leader, not a follower.

In 2009, two Chinese scientists made a

major biomedical breakthrough, hailed worldwide, by cloning a mouse from its skin cell. One is Zeng Fanyi, who earned her MD and PhD degrees at the University of Pennsylvania and is vice-director of Medical Genetics at Shanghai Jiao Tong University. Zeng and her team are now pursuing another pioneering program: mammary gland bioreactors.

What's that? Transgenic animals, conceived artificially with injected, targeted genes that express specific functions. The animals secrete in their breasts pharmaceutical proteins that can be used to cure hereditary diseases. While Zeng's transgenic procedure works, its commercialization remains unrealized. So Zeng's research receives ample support from the government, which has been increasing science funding at over 20 percent per year. But bringing new pharmaceuticals to market is a long and perilous process. Only 8 percent of China's investments have become effective drugs.

But who will invest in new ideas — new technologies or brands — if they will be stolen? For innovation to succeed in China, intellectual property rights must be protected and enforced. IPR is perhaps China's largest and most intractable obstacle in becoming an innovative country. Earlier, only foreign companies decried the outrageous copying — stealing, to be blunt — of patented products, but now Chinese companies are shouting the loudest.

Education underlies China's economic future. But what kind of education is optimal for today's knowledge-based industries? Influenced by traditional Chinese culture, students are inculcated with collectivism, forming the habit of obeying authorities. In China it is inconceivable for a student to challenge a teacher. Chinese science students abroad perform stronger on exams but weaker on experiments.

In 2009, among 65 countries taking standardized tests for 15-year olds, Shanghai students took first place in reading, math and science. But of the 50 leading R&D universities in the world, 40

are in the US and the remaining 10 are in Europe — none are in China. In 2009, there were 280,000 scientific papers published in China, but less than 1 percent were published in leading journals.

To bring world-class science to China, Chinese universities, with strong support from China's leaders, offer aggressive incentives to bring world-renowned scientists, originally from China, back to China.

Rao Yi, a distinguished neuroscientist in the US before returning to China, is now dean of Life Sciences at Peking University, and is an outspoken critic of Chinese science. He argues that in allocating science funding, administrators should not influence decisions.

Education reform is now considering how college admissions can rely less on exams, how students might personalize their own education, and how social achievements can be recognized. Some middle-class parents decide to reject China's brutal college entrance examinations and give their children a thoroughly Western education in China. Attracted by the market, many private schools have sprung up.

China's leaders call for "indigenous innovation" — the country must develop its own technologies and proprietary products. Yet China's industrial transformation from assembler-manufacturer to innovator-designer is complex, risky, open to surprise, and will surely take time.

Moreover, innovation requires freedom. To become an increasingly innovative society, China must become an increasingly free society. China must also enforce IPRs and rethink the essence of education.

China's new leaders face the challenge of innovation. The Chinese people are watching.

*The author is an international corporate strategist and investment banker. He is the author of 'The Man Who Changed China: The Life and Legacy of Jiang Zemin and How China's Leaders Think.*

LETTERS

## Dangers of beauty treatment

*Comment on "HK woman dies after beauty treatment" (China Daily, Oct 11)*

After reading about recent cases in which a number of women have fallen ill or even died after receiving blood transfusion (the so-called DC-CIK plasma therapy) in beauty salons, I suggest the existing legislation be reviewed. Also, necessary (even regulatory) measures should be taken to prevent recurrence of such incidents.

But I am also surprised to know that people still seek such treatments without getting to know the potential dangers associated with them. Beauty treatment is far more advanced, and thus more complicated than regular slimming treatment and as such should be scrutinized by consumers.

I am not saying that the victim women have themselves to blame for the tragedy. But I do think that we would all benefit by assessing the pros and cons more thoroughly before availing of the services offered by so-called beauty salons, especially "DC-CIK" plasma therapy.

VIKTOR TAM, via e-mail

Readers' comments are welcome. Please send your e-mail to [opinion@chinadaily.com.cn](mailto:opinion@chinadaily.com.cn) or [letters@chinadaily.com.cn](mailto:letters@chinadaily.com.cn) or to the individual columnists. China Daily reserves the right to edit all letters. Thank you.

## FROM THE CHINESE PRESS

### The best example of filial piety

*To realize his mother's dream, a 26-year-old man pushed his physically disabled mother from Beijing to Xishuangbanna, Yunnan province, in a wheelchair. That it took him 93 days to complete the journey speaks volumes of his dedication to his mother. In recent years, this is by far the best example of filial piety, which seems to be lacking among many youths today, says an article in Guangzhou Daily. Excerpts:*

Filial piety is an integral part of Chinese culture, which can be expressed both through words and actions. The Beijing youth walked 3,359 kilometers to cover the distance from Beijing and Xishuangbanna, and the physical and mental exertion that he underwent during his arduous journey is more than proof of his filial piety.

Grown-up children can show filial piety by meeting their parents' material, emotional and spiritual needs. The youth met all these needs of his mother when he pushed her on a wheelchair from the capital to the city in Yunnan to realize her dream.

But since nowadays it is comparatively easy for many grown-up children to meet their parents' material needs, they ought to pay more attention to their emotional and spiritual needs.

Ways to meet the emotional needs of parents has been highlighted in the "New 24 Paragons of Filial Piety", which includes taking parents on excursions and accompanying them to visit their old friends. Grown-up children should realize that it's not enough to just meet their parents' material needs. It is equally important for them to take care of their parents' emotional and spiritual needs.

What makes the youth's effort more important is that he spread the message of filial piety among the people he met on his journey. No wonder, many people helped him and his mother during their long trip.

What's more, he has decided to establish a scooter traveling group for physically disabled parents when he returns to Beijing to help more people like his mother to travel across the country. Hopefully, he will inspire other people to take good care of their parents.

### Storm over so-called sculptures

*After a storm of online criticism, officials of Suzhou Industrial Park near Jinji Lake in Jiangsu province removed chair-like sculptures resembling nude female figures to a "more proper site". The officials, however, said the sculptures had been displayed in the park as works of art, not as chairs, which is still questionable, says an article on xinhuanet.com. Excerpts:*

Even though the chairs are indeed sculptures, as the park officials claim, there is no denying that they look like nude female figures, and their removal proves netizens' allegation that they "disrespect women".

The chairs evoked a storm of protests because netizens' rightly realized that they were displayed in the open for two reasons: either to be seen as sculptures or projected as special chairs. Also, the park officials committed the mistake of installing the chairs in the open rather than a gallery or studio, which would have been an ideal place for them.

Perhaps the misuse of power by local officials is to blame for the controversy, which could have been easily avoided had they sought public opinion before installing the chairs in the open.

The lack of a proper punishment mechanism for local departments and officials that flout public rules is also to blame for the controversy. The industrial park officials' decision to remove the "sculptures" is proof of their wrongdoing for which they, unfortunately, will not be held responsible.

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

ROBERT LAWRENCE KUHN

# New media improves transparency

Look back at the more than 20 years that I have been visiting to China and, without doubt, the Chinese people today live far better lives. Both material goods and personal freedoms have never been greater.

But how to make government transparent and accountable? How to provide oversight of the process of governance? How to ensure equality and fairness under rule of law? Call it political reform or call it civil society.

This challenge is what China's new leaders face. New media is changing China. Microblogs — *weibo*, China's social media — has become a chief source for getting news and a primary platform for voicing opinion. With microblogs, the Chinese people are more aware of their rights; demand more openness and truth; and are more empowered to seek justice and effect change. The Chinese people can now say "No!"

In 2011, a young woman with the user name of "Guo Meimei Baby" flaunted her riches online, claiming to live in a luxurious villa and drive a Maserati. Supposedly she was working for the Red Cross and China's microblogs erupted with outrage. Although the Red Cross denied any relationship, donations declined sharply — and the incident provoked widespread investigations of State-run charities.

More serious in 2011, two trains collided in Wenzhou, killing 40 and injuring 192. Microblogs enabled the public to ascertain facts and express feelings, even to mobilize doctors, lawyers and engineers. Netizens also criticized the government, accusing officials of "cover-up".

A "kingdom of debate and criticism", as microblogs are called, has appeared in China. With everyone observing, microblogs are a radically new form of public supervision. Guo Meimei affected all Chinese charities. The Wenzhou collision triggered reform of the Ministry of Railways. Other topics include school bus safety and air quality. When millions of users focus on an issue, an influence group is formed. The government must pay attention.

I was touched by the story of Qing Ling, a high school teacher whose personal saga affected all Shanghai. One night, after his cancer-stricken father had been shuttled between hospitals for the fourth time, due to chronic medical shortages, Qing posted an open letter to Yu Zhengsheng, the Shanghai Party secretary. Qing listed many problems, like hospitals discharging dying patients and scalpers selling hospital appointments. Thousands forwarded Qing's letter.

That same evening, Secretary Yu's reply was posted. "I've had a heavy heart since I received Qing Ling's letter," Yu wrote. "When parents and family are suffering from diseases, if we can't help them because of some system defects, we all feel the agony."

Within three months, Shanghai upgraded hospice care, including dedicated hospital beds for terminal patients. Several serious diseases including lung cancer are now covered by medical insurance. Across China there are more than 20,000 governmental users, such as "Shanghai Publicity", which links many municipal departments. The goal is more responsive social services and better administration. The question is, will citizens expectations — unprecedented and unstoppable — outrun government delivery?

Microblogs, some worry, can spread false information like a contagious disease, which some may exploit. That's the price of freedom — and the cure is more information, not less. There is no turning back. Microblogs give China the chance to create a State system that is open, fair and just.

Transparency. Nothing, in theory, is more vital for political reform. Little, in practice, is harder to implement. Recently, 92 central government departments and public institutions reported their expenditures online. Earlier, the budgets had been concealed. The required disclosure of "three public consumptions" — overseas trips, vehicle purchases, official receptions — is progress.

Professor Jiang Hong, a relentless advocate of budgetary transparency, has been a deputy to the National People's Congress for 10 years. Citizens, he says, must know how the government spends money and he is not satisfied. To solicit opinions, the budget law draft was published online and received 330,000 comments, the second largest ever. There are always restrictions on disclosures, Jiang laments. Undaunted, he dares to vote against budget-related regulations. Every year, he and his team rate the transparency of 31 provincial budgets. He says his hair has turned grey in hopes of "sunny finance".

I first appreciated the power of transparency in China's political reform roadmap, when, in late 2007, Politburo member Li Yuanchao, head of the Party Organization Department, explained to me how transparency is the key to "intra-Party democracy", which is the core of political reform. Transparency makes citizens more knowledgeable in their opinions and officials more considered in their actions. Both, ideally, create a more self-managed society.

If I had to choose between a multiple party system

with deplorable transparency and one-party system with admirable transparency I would choose the latter. This is surely not to say the system is transparent, but it does reflect the view of China's new leaders that to attain such transparency is a vital goal.

While transparency is necessary, it is not sufficient. The old system where "government does all" cannot meet society's ever more complex needs. Government cannot decide all issues, resolve all tensions, settle all disputes — if it tries, it errs. Rather, non-government organizations — NGOs — are emerging to represent public interests and fight for social causes. In the past, in order to register, NGOs required a "patron" government agency. Now, Guangzhou, the capital of Guangdong province, enables NGOs to register directly, increasing the number of NGOs (4,500, as of mid 2012).

NGOs should compete in the marketplace of ideas and issues, just as businesses compete in the marketplace of goods and services. Thus, government is aided in its governance and society is enriched by best practices. NGOs also evince the confidence of leaders to cede certain powers, and the willingness of citizens to stand up and work for what they believe to be right and worthy.

In China, "political reform" has long been a "sensitive" subject, shielded from public discussion. Slowly, cautiously, this is changing. China's new leaders talk about political reform within the context of maintaining the leadership of the Party, and intellectuals debate political reform in comparison with foreign political systems.

China again is at a crossroads of reform. This time, the Chinese people have higher expectations and are not afraid to express their opinions. They will not retreat to a closed society. "Openness, competition, and participation" are watchwords.

Yet most Chinese desire stability and support China's political system — even as microblogs enhance information access, freedom of thought, public opinion, and government transparency. I hear it over and over again: China must find its own way to democracy. China's goal is to build a "moderately well-off society" and political reform is a necessary part of it. China's new leaders know they face the challenge of political reform. The Chinese people know it, too.

*The author is an international corporate strategist and investment banker. He is the author of 'The Man Who Changed China: The Life and Legacy of Jiang Zemin and How China's Leaders Think.'*

LETTERS

## 798 needs better planning

*Comment on "10 Years at 798 art zone" (China Daily, Oct 15)*

The 798 art zone gives visitors an insight into one of China's largest and best-designed factory belts from the 1950s. The Bauhaus workshops were futuristic for their time. They are unique art spaces even today.

The atmosphere in 798 is still mostly good, and I'd love to take people visiting Beijing on a tour of the place.

But many artists have moved out of 798 because of high rent and, fortunately, they have found peace to work in other places in Beijing's suburbs such as Caochangdi, Feijiacun and Songzhuang.

The problem of high rent is important, because it is also becoming the trend in other popular areas of the city. Real estate prices are too high and increasing too rapidly to encourage investment and development in many areas, including in 798.

Another serious problem is traffic management. Too often, visitors to 798 encounter cars blasting their horns outside cafés and polluting the atmosphere. And car owners and drivers also block alleys by parking their vehicles haphazardly.

A lot more can be done to create a harmonious environment in 798. As a start, cars should be banned from driving into the art zone.

798 is one of the most interesting areas of Beijing, and with more careful management it can be developed into an even more outstanding place of interest. Let us all try to develop a truly harmonious environment for everyone to enjoy

LAO BEIJING TONG, on China Daily website

Readers' comments are welcome. Please send your e-mail to [opinion@chinadaily.com.cn](mailto:opinion@chinadaily.com.cn) or [letters@chinadaily.com.cn](mailto:letters@chinadaily.com.cn) or to the individual columnists. China Daily reserves the right to edit all letters. Thank you.

## FROM THE CHINESE PRESS

### Govt has to narrow income gap

*The 2011 China Salary Development Report, released by the Ministry of Human Resources and Social Security, shows that the income of some industries is very high, which is widening the income gap. The income distribution reform cannot be delayed, because it is important to optimize economic growth and transform the social structure, says an article in Beijing Times. Excerpts:*

The salary report shows that the income gap, especially between monopoly industries and common competitive industries, has widened. The income gap has also widened between corporate executives and general employees. Some people's annual income is reportedly 10 times that of the local average. Some other executives earn 2,000 times more than the urban national average income, and 4,000 times more than the wages of an average migrant worker.

Such a huge income gap is disturbing. Although a reasonable income gap is normal in market economy, because individuals and corporations contribute differently to economic growth, it should not be as wide as seen in our society.

The most worrying aspect of the income gap is the imbalanced allocation of resources. For example, some industries and companies enjoy a much higher income because they are monopolies or dominate the market. We need to build a mechanism to supervise and control "privileges". The income gap has a negative impact on the economy and its widening trend inhibits consumption.

The government should take specific measures to narrow the widening income gap by limiting the resources of monopoly companies to create a truly competitive market. It also has to take care of the middle- and low-income families with subsidies and lower taxes.

### Farming not a bad vocation

*After graduating this summer but failing to find a suitable job, Miao Weifang went back to his hometown in Baoding of Hebei province to work on his farm. His father was so devastated by his decision that he committed suicide. But more worrying than the father's suicide is the changing attitude of many villagers toward education, says an article in Guangzhou Daily. Excerpts:*

The maxim "knowledge is power" has encouraged many poor students to study strenuously to get advanced degrees in order to improve their financial and social condition. But a good degree does not necessarily mean a good job.

Miao committed the mistake of looking for jobs that had too many candidates and too few vacancies. Moreover, it is not a tragedy that he had to fall back on farming, for he can make a difference to the vocation by using his knowledge. He could, for example, accomplish great things through scientific farming.

Miao's case is not unique. Many graduates work as butchers, migrant workers and village officials. People with scientific knowledge are potential talents. They can do pioneering work by using their knowledge and change the way society views graduates.

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

XIAO LIXIN

# Spare a thought for 'empty nest' people

Chinese people first encountered the term "empty nest" in a work of famous writer Bing Xin in 1980. Bing described vividly the solitary and dreary life of a couple in their twilight years. When Bing's work was published, "empty nests" were still isolated cases, but in the three decades that have passed, it has become a widespread social phenomenon. And with society and the economy developing at a faster pace, the condition of elderly couples has worsened.

The Ministry of Civil Affairs' latest data show that more than half of the families in China are "empty nest" households, with the figure being as high as 70 percent in some big cities.

There were 41.5 million "empty nest" old people aged 65 years or above in the country in 2010, and their number is expected to exceed 51 million by the end of the 12th Five-Year Plan (2011-15), accounting for nearly a quarter of the total senior citizens' population. Experts even say that "empty nest" families will become the major pattern in Chinese cities and even many rural areas, dealing a blow to the traditional family support system and requiring the government to take greater care of the material and spiritual needs of senior citizens.

With age people become psychologically vulnerable and more dependent on others. And given the rising number of "empty nest" people and their vulnerability, the government has to take measures to provide them better psychological comfort, proper healthcare and legal aid.

After retirement, people tend to participate in fewer social activities, spending more time at home reading newspapers or watching television. "Empty nest" people, who are not taken proper care of by their children, are bound to feel lonely, and are usually unwilling to engage in recreational activities, which leads to psychological problems.

A Nanjing Normal University survey on the mental state of senior citizens in cities shows that more than half of the "empty nest" individuals suffer from mental problems to different degrees. Loneliness, anxiety and depression are the most common of these problems.

The Law on the Protection of Rights and Interests of the Aged, which was amended in 2011, says "family members cannot mentally neglect and isolate the aged" and children are legally bound to visit their parents frequently. It also says that elderly parents have the right to sue their children for not visiting them.

The good intentions of the proposal have been applauded, but many people have doubted its fea-



PANG LI / CHINA DAILY

sibility. In fact, even before the law was amended, many senior citizens had moved court to demand emotional and spiritual, not material, support from their children.

The Internet and Chinese media are agog with the story of an "empty nest" senior citizen who invited his grandchildren to dinner, only to leave the dinner table when he saw them busy playing with their mobile phones without being interested in any conversation.

Filial piety requires grown-up children to take care of not only their parents, but also to respect their feelings, for example, by having more heart-to-heart conversations with them. Family love plays an important role in providing mental comfort for the elderly. No grown-up offspring should shirk the responsibility of visiting aged parents more often and making them feel wanted.

There is a lot more communities could do to help make senior citizens' life better. To begin with, they could recruit community volunteers, from warm-hearted university students to helpful and devoted middle-aged citizens who want to repay their debt to

society by helping "empty nest" senior citizens.

Some companies have started offering services to help the elderly cope with loneliness. Domestic helpers visit senior citizens' home twice or three times a week, asking about their health, talking about their daily life and entertaining them with interesting anecdotes from the neighborhood.

Senior citizens, too, should make an effort to release their tension and prepare for a happy life in their twilight years. They should change their mentality and try to be less emotionally dependent on their children, cultivate hobbies, extend their social circle, and set new goals to make the rest of their life more interesting.

Hopefully, the Chongyang Festival, which falls on the ninth day of the ninth lunar month, will see fewer "empty nest" senior citizens shedding tears longing for the company of their offspring on a day that requires children to pay respects to their elders, especially parents.

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## 18TH PARTY CONGRESS PREVIEW

ROBERT WIHTOL AND YOLANDA FERNANDEZ LOMMEN

## Income distribution is the key

Three decades of fast growth have transformed China into the world's second largest economy. They have also created an economy that is excessively reliant on investment, exports and capital-intensive industrial development, and in pressing need of rebalancing. And they have exacerbated the gap between high- and low-income groups, and between cities and rural areas.

Increasing consumption is frequently pointed out to be the key to reducing China's reliance on exports and investment. However, despite a range of government initiatives, consumption has persistently remained low. At about 37 percent of GDP, consumption in China stands well below other middle-income countries and far below developed economies, depriving the economy of a reliable domestic engine of growth.

The conventional wisdom is that low household consumption is the result of high precautionary savings, that is, people save for education and healthcare expenditure and old age and, therefore, do not spend much. However, low wages are also a major factor. In practice the average Chinese household simply does not have much money to spend.

Despite recent salary increases, total wages over GDP have declined to about 36 percent from 45 percent in the past 10 years. Income inequality is growing. China already has one of the highest levels of inequality in the world. Urban household incomes are, on average, three and a half times higher than rural household incomes. Inequality will hinder future growth, because it undermines consumption, constrains development in poorer regions and generates social tension.

The roots of inequality lie in the growth model adopted over three decades ago. As economic reforms progressed, state redistributive mechanisms weakened. In the 1990s, public services provision was decentralized to local governments without a corresponding increase in fiscal transfers.

In the transition toward a market-oriented economy, only limited taxation has been introduced, while central government transfers for education, healthcare, housing, and pensions have declined. As a result, growth in government fiscal revenues has exceeded income growth.

At the same time, there has been insufficient redistribution from enterprises to households. Soaring corporate profits have not been shared with households. Dividends are seldom paid, equity and bond markets are immature, and pension and mutual funds have not yet been developed. This has kept households' interest income low and, ultimately, repressed consumption.

The government has adopted a range of measures to address these challenges. However, so far they have had limited impact. Social spending has increased but remains low. About 30 percent of government revenue is spent on social security, education and healthcare, compared with an average of 52 percent in other middle-income countries. Moreover, reforms have focused on expanding the coverage of benefits rather than revamping the benefits themselves. Salaries have recently increased rapidly, but lag behind productivity gains and GDP growth. At the same time, higher labor costs are depressing China's competitive edge.

Income redistribution policies and strengthening of social safety are the key to reducing inequality, fostering consumption and sustaining economic growth.

What can China learn from other countries' experiences? In developed economies, fiscal policy is the key tool for reducing inequality. In the OECD countries, a broad tax base, progressive taxation and increased government transfers reduced inequality by one-third between 1985 and 2005. In developed economies, large fiscal transfers, for healthcare, education and pensions, have effectively reduced inequality. Reforms to broaden the tax base and increase the progressivity of taxation were also successful in redistributing incomes.

In developing economies, fiscal policy has been less effective in addressing inequality, because of their high reliance on indirect taxation, and lower and less progressive tax and spending levels.

Looking ahead, policymaking for China's next-generation leaders should focus on overhauling taxation and fiscal transfers to balance income distribution. The 12th Five-Year Plan (2011-15) acknowledges the role of fiscal policy in narrowing income inequalities, but comprehensive reforms have to be implemented to address major constraints.

First, China's tax base should be broadened. Recent reforms in income taxation have reduced the number of personal income tax payers to less than 3 percent of the population. Tax evasion is high, and collection and enforcement are low. The narrow base leaves policymakers with no powerful income distribution tool. The direct income tax base can be broadened through measures to curtail tax evasion, reduce the informal sector in the economy and strengthen tax administration.

Second, taxation should be more progressive. To achieve this, there should be more emphasis on direct taxation. Currently, the value-added tax is China's single largest source of tax revenue. Indirect taxation is effective in raising revenue. However, it taxes rich and poor alike for the same transaction, and is highly regressive. Direct progressive taxation of incomes would help to

shift the tax burden from low-income to high-income households. Taxing capital gains and property would also help to balance income distribution.

Third, social expenditure should be increased. Social spending is preferable to tax cuts as a means of increasing consumption, because tax rebates are usually saved. Improved tax collection would allow higher social expenditure. A shift in public spending away from investment and toward social transfers would help to curb precautionary savings and foster consumption.

International experience indicates that increased public spending on healthcare directly increases private consumption. Similarly, higher provisions for education and pensions reduce life-cycle savings and free up household resources for consumption. The government has recently taken commendable action to expand the coverage of pensions, but the need for broader pension reform remains urgent. Low pension levels distort consumption patterns and foster precautionary savings. Improved tax collection, further liberalization of energy and resource prices, introduction of environmental taxes, and transferring State-owned enterprises' dividends to social expenditure would allow increased social spending without straining public finances.

Fourth, an overhaul of the tax revenue sharing system between the central and local governments is needed. Revenue allocation to the local level needs to be aligned with expenditure responsibilities. Otherwise, large disparities in public social spending per person will emerge and perpetuate inequality.

Local governments' share of value-added tax revenue could be increased from the present 25 percent, which is insufficient to fund their obligations to provide social services. Alternatively, the central government could increase its funding share while maintaining the existing decentralized scheme for providing social services. Inter-provincial compensation mechanisms from richer to poorer provinces could also be adopted.

Tax reform and increased spending on healthcare, education, and pensions would reduce pressure on low-income household budgets. These measures would also reduce pressure for salary increases, which has had an impact on the economy's competitiveness. The reforms would encourage households to consume, providing the country with social stability and the economy with an important buffer against external shocks.

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## LETTERS

## Reminder to careless sons

Comment on "Daughters show more filial respect than sons" (China Daily, Sept 23)

As a son, I feel ashamed for not calling my parents, who live in a village, over the phone during the past couple of weeks. I don't even know whether they knew about Chongyang Festival, let alone whether they celebrated it. Nonetheless, I still want to say something for sons in China.

I think some factors make Chinese daughters more filial than sons. Chinese men are normally too shy to express their love. A boy in China is usually trained to exercise self-control, develop the capability to endure even the most violent storms in life and be unflinching in his resolve to achieve his goal. But he is rarely taught how to express his true feelings for someone, parents included.

I hoped to find a job and live close to my parents but couldn't do so, and felt extremely lonely when I shifted from my parents to work. I am married now and not that lonely. But I have never told my parents what I went through and how much I longed for them. My father, too, has not told me how much he missed me, but I know he loves me as much as I love him.

Moreover, traditionally, parents spend more time, money and energy on their sons than their daughters because men are considered to take their family name forward and supposed to look after their parents when they get old or fall sick. The extra attention and love that sons get also make some of them take things for granted and neglect their parents in times of need.

I want to remind all careless sons like me, and their wives, to take good care of their aging parents, whose support and love for their offspring are unconditional.

ZHANG YAMING, via e-mail

Readers' comments are welcome. Please send your e-mail to [opinion@chinadaily.com.cn](mailto:opinion@chinadaily.com.cn) or [letters@chinadaily.com.cn](mailto:letters@chinadaily.com.cn) or to the individual columnists. China Daily reserves the right to edit all letters. Thank you.

## FROM THE CHINESE PRESS

## A leader is not a 'boss'

It's worrying to see some people in Party and government departments addressing leaders as "bosses", says an article in People's Daily. Excerpts:

A "boss" is generally a person who owns a business or factory. In the past, some Party leaders were called "boss" but only under special circumstances. Addressing a leader as a "boss" is not only improper, but also, to some extent, reflects a twisted political culture in the Party. It should be clear that unlike a "boss" in an enterprise, leaders do not decide everything; they do not even decide the fate of low-ranking personnel.

The Party has stressed time and again that the power officials wield has been given to them by the people and should be used only to serve the people.

Only leaders who are intolerant of others' opinions and tend to make every decision on their own prefer to be called "boss". To eliminate the problem, the Party should take measures to deepen the reform of personnel policy, strictly implement democratic centralism in the Party and respect people's right to know.

## Income surveys not always right

A recent study shows that to lead a decent life, people in first-tier cities like Beijing and Shanghai need to earn at least 9,000 yuan (\$1,440) a month — the amount for people in second-tier cities has been pegged at about 5,000 yuan a month. Not surprisingly, the results of the survey have sparked a heated discussion among netizens, says an article in Qilu Evening News. Excerpts:

The survey results, controversial as they are, were expected to spark debates, and they have. But are the survey results reliable?

To begin with, the surveyors have not revealed how they arrived at the conclusions and who are the people they surveyed. It is almost impossible for such surveys to arrive at accurate figures, because the living standards vary from person to person and different people need different amounts of money to lead a "decent" life in a city.

Official statistics show that last year the average annual salary of urban employees in Shanghai was 51,968 yuan (\$8,315), which in monthly terms would be 4,331 yuan. That is less than half the amount recommended by the survey.

Many Shanghai residents who earn less than 9,000 yuan a month, but whose average income is among the highest in the country, should feel insecure if they believe in the survey. Thankfully, that has not happened.

But such data, even they are unconvincing, could force Chinese people to assume that the key to a happy life is high income, which is not true.

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

ROBERT LAWRENCE KUHN

## What do the Chinese people believe?

In 2006, an old woman fell, fracturing a bone. A young man called Peng Yu helped her up and sent her to the hospital. Later the old woman claimed that Peng was the one who had caused the injury and sued him for damages. The court found Peng liable, ordering him to pay 46,000 yuan (\$7,300).

In 2011, after several cases of apparent helpers being sued, the shocking "Xiao Yueyue event" occurred. A two-year-old girl, Yueyue, was run over by two cars, one after another. For seven minutes, 18 passers-by ignored her. Finally, a garbage woman picked her up but the child died. The Chinese people were horrified.

When I'm with Chinese friends, they appreciate China's remarkable transformation — but they worry. "What do we believe in?" they ask themselves. "What are our values?"

These challenges are what China's new leaders face.

For over two millennia, China's values were exemplified by Confucian ethics. But when extreme leftism replaced Confucianism as the nation's guiding philosophy, especially during the chaotic and ruinous "cultural revolution" (1966-76), China's traditional teachings of humanism and piety were rejected and renounced. Then came the market economy, rewarding individual initiative, so that collectivist values seemed no longer relevant. Where then are the values?

Yang Sheng was a businessman, and like others, his life was busy making money. But after losing money, he suffered declining health and rethought his life. Yang decided to stop seeking wealth and become a philanthropist, self-styled. On his own, he sought families needing financial aid. His goal is to help 10,000 disadvantaged kids.

In China, when someone selflessly helps others, he's called "a living Lei Feng." Lei Feng was a young soldier in the People's Liberation Army, immortalized as the personification of altruism. He was born poor, orphaned, joined the Communist Party of China, and died in 1962, age 21, while doing his duty. Lei Feng's diary contains selfless aphorisms, such as: "The goal of being alive is to help others live a better life." On China's annual "Learn from Lei Feng Day", doctors examine citizens for free, barbers cut seniors' hair gratis, children visit old-age homes.

But the Chinese people no longer "speak with one mind". Some say that the selfless model, which works in a collectivist economy where the State owns everything, is ill-suited in a market economy where

personal reward motivates action. Some surmise that Lei Feng himself is an embellishment.

Yet, Lei Feng's significance is that he personifies virtue, an idealized image reminding us that people should do good to others, have sympathy for suffering, and abide by a moral code.

So is there really any difference between "believing in" Lei Feng, or in Confucius or Buddha? Actually, to many Chinese, religious belief itself is rather vague. The focus is more on common features of different religions than on their contrasting dogmas. As long as a belief advises people to do good, it is a good belief. China has never been ruled by religious power, and although China has had frequent and bloody wars, none were religious.

Officially, there are 100 million religious believers in China. In truth, there are way more. One reason is that Buddhists and Taoists may not attend temples. Another is that believers cannot be members of the ruling party (CPC), so those who seek political advancement or support won't claim to be religious. Still another is that some officials are uneasy with the growth of religion.

Religion is growing in China; while the reasons can be debated, the facts cannot. Freedom of religion as a basic right has been included in China's Constitution since 1982; yet there are claims of religious tensions and problems, and they are too passionate and too persistent to ignore.

Chinese law regulates religion, such that Protestantism, for example, can conduct its missions only at religious venues sanctioned by the State. To me, a Westerner, such law restricts religious freedom, but church leaders in China disagree, noting that China's rules on religion reflect China's culture and history.

One cannot complain about the number of religious venues. In China today there are about 140,000 places of worship for Buddhism, Taoism, Islam, Protestantism and Catholicism. Protestantism leads with about 56,000 churches.

While the rise of religion is changing part of Chinese society, the equality of women is changing all of it. Mao Zedong said famously, "Women hold up half the sky", and in today's China successful women have become unremarkable. From business and government to science and sports, Chinese women can and do rise to the top.

Women working is nothing new; in the planned economy, most women had jobs. The difference now is

that women can rise to high positions in large organizations or by starting their own companies. Gender equality is increasing, in education certainly, and in society.

What about sex? In the early Communist period, sex was repressed and sexuality was hidden. That's why, some years ago, I was amazed to see People's Daily, the Party newspaper, run an article on "The Top 10 Sex Stories of the Year". The government's Xinhua News website features "Most Desirable Women Around World" — with photos aplenty.

How much control should government have over the sex lives of its citizens, whether online or in real life? Where to draw the line between individual freedom and social sensibilities?

Li Yinhe is a sexologist. A scholarly sociologist in her 60s, she seems determined to change the Chinese people's attitudes toward sex — which is why she is loved or hated, sanctified or damned. "Premarital chastity was extremely strict in ancient China," she says. "Even though 70 percent of Chinese people no longer hold on to premarital chastity, I am called a demon by merely reporting the number."

Until 1995, premarital sex was even illegal, according to "the hooligan law". Until 1997, homosexuality was a crime and labeled a disease. Today, over 90 percent believe homosexuals should have equal opportunities. Divorce in the 1970s was 2 percent. Now it is 20 percent (Li says the real number is higher).

In 2012, China's National Museum celebrated its centennial by exhibiting Renaissance masterpieces, including *David*, the famous sculpture by Michelangelo. In a news broadcast on CCTV, David's genitals were covered up with mosaic effects. Netizens instantly uploaded widespread criticism. In the CCTV rebroadcast three hours later, the mosaic was removed.

What do Chinese people believe? While many have ready answers, few have robust answers. Perhaps what China needs most is more time.

In 2011, a 31-foot bronze statue of Confucius was set up in front of the National Museum in Tiananmen Square. Four months later the statue disappeared.

China's new leaders face the challenge of belief and value.

The Chinese people wonder and wait.

The author is an international corporate strategist and investment banker. He is the author of *The Man Who Changed China: The Life and Legacy of Jiang Zemin and How China's Leaders Think*.