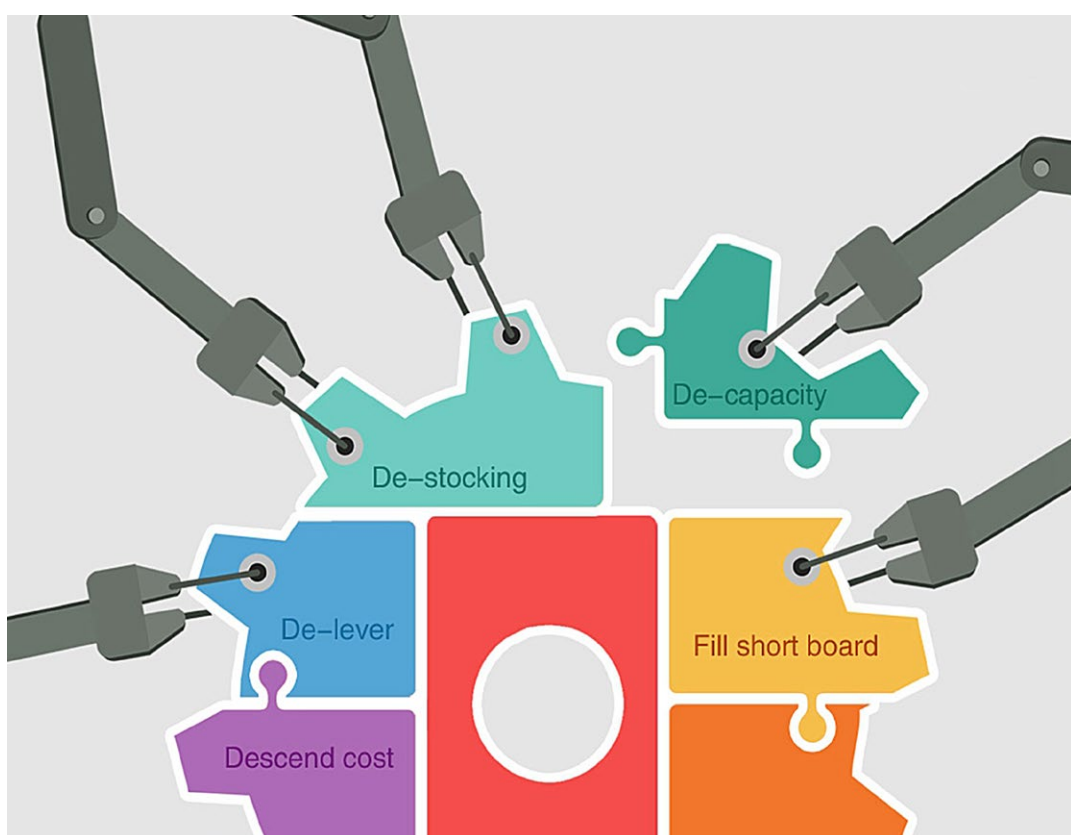


## China pushes ahead with SOE reform



Supply-side reform

With the economy slowing, China has been looking to its 150,000 state-owned enterprises (SOEs) to promote market-based reform, which remains a tough nut to crack.

On May 16 at a meeting of the Central Leading Group for Financial and Economic Affairs, General Secretary Xi Jinping of the Central Committee of the Communist Party of China (CPC) called for “unswerving efforts” to advance supply-side structural reform, reiterating that the reform of SOEs is a very important part of this.

On May 18, Chinese Premier Li Keqiang presided over an executive meeting of the State Council, emphasizing that centrally-administered SOEs should streamline their corporate structures and raise efficiency to become more competitive.

On May 20, Xi chaired a meeting of the Central Leading Group for Deepening Overall Reform and once again called for the reform of SOEs, urging departments to identify problems and come up with effective approaches to them.

“Reform will cause pain, but without reform, the pain will last

press ahead with the merging and revamping of SOEs over the next three years in order to clean up 345 zombie enterprises – all subsidiaries of the 106 centrally-administered SOEs – and unlock their vitality, said Zhang Xiwu, deputy chief of the State-owned Assets Supervision and Administration Commission, at a briefing on SOE reform.

Zombie enterprises are unprofitable SOEs burdened by debt, mismanagement or overcapacity.

The Ministry of Finance also announced that China will allocate 100 billion yuan (US\$15.3 billion) of subsidies to steel and coal companies; the funds will mainly be used to resettle laid-off workers.

The ministry added that it will continue to implement preferential taxation policies, including tax refunds for steel exports and tax preferences for urban land use by coal miners.

### Upgrading industries through innovation

The statement from the May 18 meeting pledges to reduce losses made by centrally-administered SOE’s subsidiaries by 30 percent and increase the profit of centrally-

enable more businesses to take advantage of the internet.

### Focusing on core businesses

“Fostering greater craftsmanship is of vital importance to centrally-administered SOEs. They should concentrate on their core business so as to improve product quality. This should be the core competence of the SOEs,” Premier Li said during the May 18 meeting.

The statement released after the meeting encourages internal restructuring of centrally-administered SOEs and optimizing of their resource allocation in the next two years.

Private investors are encouraged to participate in and support the restructuring of the centrally-administered SOEs. Reform efforts concerning business registration procedures are to be intensified so as to reduce administrative costs.

Zhang Chunxiao, a researcher at the Chinese Academy of Governance, said that all the measures were part of supply-side reform.

“Centrally-administered SOEs can only boost profits when they focus on core businesses with lower managerial and production costs.”

### Streamline corporate structure

“If the president cannot tell how many subsidiaries his or her company has, how can the company be efficient or competitive?” Premier Li

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questioned while presiding over the May 18 meeting.

The fact is that excessive layers of hierarchy and redundancy that have persisted in the centrally-administered SOEs are part of the reason why it hasn’t been easy to push through reform over the years.

To help the centrally-administered SOEs “lose weight and get fit,” the meeting decided that these enterprises should reduce their managerial levels to three or four from the current five to nine, while cutting 20 percent of their subsidiary legal entities within three years.

They were also instructed to use market-based approaches in hiring and delivering payrolls.

SOE reform is an urgent task for supply-side structural reform. It will be difficult to achieve results without transforming SOEs into real market entities in terms of technology and efficiency, said Li Yining, a Peking University economist.

Li Daokui, an economic adviser and a Tsinghua University economics professor, noted that this is the key year for national restructuring, and if all SOE and urbanization reforms are put in place this year, the economy’s downward trend is expected to hit bottom by the second half of the year at the earliest.



Internet Plus

longer,” reads a statement released after the meeting.

State-owned enterprises (SOEs), especially those administered by the central government, play a pivotal role in the country’s social and economic development. However, plagued by low efficiency, they are not performing as well as they should be.

The centrally-administered SOEs made 339.88 billion yuan (US\$51.87 billion) in profits during the first three months of this year, down 13.2 percent from the same period last year, according to statistics from the Ministry of Finance.

### Cutting excess industrial capacity

To implement supply-side structural reform in SOEs, a major necessity is cutting excess industrial capacity, Xi stressed at the meetings.

Li also reiterated that the centrally-administered SOEs need to “lose weight and get fit,” vowing to cut their coal and steel capacity by 10 percent this year, followed by another 10 percent in 2017.

The government will also

administered SOEs by more than 100 billion yuan (US\$15.3 billion) by the end of 2017.

It also encourages SOEs to grow stronger through innovation and invest more in research and development.

Specifically, they should upgrade their enterprises and strengthen competitiveness by integrating the “Internet Plus” initiative with the big data development strategy. Manufacturing is the main focus.

By 2018, 80 percent of manufacturing companies should build online platforms. By 2025, online infrastructure should be used throughout the industry to raise competitiveness, the statement says.

The government also promises supportive policies in financing, taxation, land and human resources to develop internet-based manufacturing.

Last year, China unveiled the “Made in China 2025” blueprint, which aims to improve manufacturing and shift the country away from low-end manufacturing to more value-added production.

The “Internet Plus” initiative was also proposed last year to



## Made in China 2025

On May 8, 2015, China’s State Council unveiled its first 10-year national plan for transforming China’s manufacturing, entitled “Made in China 2025”. The plan is designed to put China on a new path to industrialization, with greater emphasis on innovation, expanded use of new-generation information technology, intelligent manufacturing, consolidation of the industrial base, integration of industrial processes and systems, and a robust multilayer talent development structure. Measures taken in this respect will facilitate China’s transformation from a manufacturing giant with a focus on quantity to one with a qualitative edge.

### The three-step strategy

- Step 1: Shifting China from a big manufacturing country to a strong one by the year 2025
- Step 2: China being able to compete with developed manufacturing powers by 2035
- Step 3: Transforming China into a leading manufacturing power by the year 2049

### Ten key sectors

- New information technology
- Numerical control tools and robotics
- Energy saving and new energy vehicles
- Power equipment
- Aerospace and aeronautical equipment
- New materials
- Ocean engineering equipment and high-tech ships
- Biological medicine and medical devices
- Modern railway equipment
- Agricultural machinery

### Nine tasks have been identified as priorities

- Improving manufacturing innovation
- Integrating information technology and industry
- Strengthening the industrial base
- Fostering Chinese brands
- Enforcing green manufacturing
- Promoting breakthroughs in ten key sectors
- Advancing restructuring of the manufacturing sector
- Promoting service-oriented manufacturing and manufacturing-related service industries
- Internationalizing manufacturing

# China-Europe interparty forum addresses common development



Liu Yunshan (R), a member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee, meets with European delegates attending the 5th China-Europe High-Level Political Parties Forum in Beijing, May 17.

Delegates from over 30 political parties of 24 European countries and representatives from the European Parliament met with their Chinese counterparts in Beijing on May 17-18 to attend the 5th China-Europe High Level Political Parties Forum, an occasion to strengthen interparty relations and explore cooperation opportunities arising from the China-proposed “Belt and Road” initiative and green development.

Current Sino-European relations are marked by improved quality and enhanced effectiveness, as both sides are actively constructing a partnership for the continuous promotion of peace, growth, reform and civilization, while exploring the most suitable ways to develop.

Making friends with international political parties is a major task for the International Department of the CPC Central Committee (IDCPC), the liaison agency for China’s ruling party and the organizer of China-Europe interparty talks.

Amicable relations with foreign political parties mean that they are likely to introduce favorable China policies when in power and generate no anti-China sentiment when part of the opposition, according to the IDCPC. In other words, once there is amity between political parties of two countries, intergovernmental rapport will come naturally.

Liu Yunshan, member of the Standing Committee of the Political Bureau of the CPC Central Committee, met with the European delegation and briefed them on China’s new development concepts, namely, innovation, coordination, care for the environment, opening-up and sharing. He noted that the Belt and Road regional infrastructure and trade initiative is based on openness, inclusiveness and practicality.

“The Chinese party and government attach great importance to the China-Europe relationship, regarding Europe as an important power in today’s world,” Liu said.

Sergei Stanishev, leader of the Bulgarian Socialist Party and former Bulgarian prime minister, said that the European side admires China’s achievement in reform and opening up as well as the CPC’s governance.

He agreed that China’s ideas for development and its proposal of the “Belt and Road” initiative will enhance interconnectivity between Europe and China and will, in turn, benefit all people along the routes.

“There is clearly a strong convergence between the EU investment plan and the Chinese initiative. We have to find synergies between our respective infrastructure and connectivity policies. We can together achieve a lot; even more since China decided last month to contribute to the European Fund for Strategic Investment,” said Stanishev, reiterating that China was the first non-European state to declare its financial contribution to the Juncker Plan.



European delegates at the forum

In his keynote speech delivered at the forum, Stanishev recognized that China has been “building its own version of market economy with the active role of the state” over the past two decades, and this model has helped China recover faster from the global financial crisis than other large economies.

Stanishev’s remark reflected a shared view among leaders of European political parties and it amounted to a support of China’s disappointment

over the European Union’s refusal to grant China a market economy status (MES).

Istvan Ujhelyi, vice chair of the Hungarian Socialist Party and vice chair of the Committee on Transport and Tourism of the European Parliament, explained that those who voted against granting China the MES “were representing the interest of their own people and country” and might not have had the larger picture and the entire EU’s interest in mind.

“Europe doesn’t consider China as a competitor but a strategic partner, so that Europe and China will have much to do on a bilateral level on the global stage,” Ujhelyi said, also adding that the “Belt and Road” interconnectivity plan would mean “closer people-to-people ties,” more than just a trading of products. This would at least mean more Chinese people taking trips to Europe to boost the European tourism sector, which is one of his major concerns.

Currently, China already produces 30 percent of the world’s GDP and for the next five years, China’s import volume of concrete goods will reach US\$10 trillion, while foreign investment exceed US\$500 billion, and more than 500 million Chinese tourists will take international trips.



Minister Song Tao (left) of the IDCPC delivers a keynote speech at the forum on May 17.

“China’s green development and open development are both major opportunities for China-Europe cooperation,” said Song Tao, minister of the IDCPC, at the forum.

Song said that both China and Europe are exploring their own, suitable development pattern amid challenges and pressures from both home and abroad. But such complicated circumstances mean more common interests with a greater necessity of cooperation in a community of shared future. “We are connected. No one can leave each other,” he said.

Closer China-Europe interparty ties now seem more important as China is engaged in disputes with other countries in and beyond the South China Sea over sovereignty claims and freedom of navigation. Earlier this month, the Chinese government reiterated that it would not accept any impending results of a UN arbitration panel’s deliberations on a territorial dispute with the Philippines in the South China Sea.

Many European delegates to the forum expressed their understanding of and support for China’s position regarding the South China Sea issue, and said that the disputes should not be resolved by means of a forced arbitration initiated by the Philippines, but by bilateral dialogues and negotiations.

Vojtech Filip, leader of the Communist Party of Bohemia and Moravia of the Czech Republic, believed an international arbitration should only be filed when bilateral negotiations fail. He noted that, in accordance with Article 298 of the UN Convention on the Law of the Sea (UNCLOS), China made a declaration excluding disputes concerning maritime delimitation, historic bay or titles, military activity and law enforcement activities from compulsory arbitration and other compulsory dispute settlement procedures. Hence, any UN arbitration on the South China Sea would apply to China, said Filip.

IDCPC minister Song Tao thanked European delegates and reiterated that “there isn’t any problem concerning freedom of navigation in the South China Sea according to international laws.”

“China firmly preserves all countries’ freedom of navigation according to international laws but at the same time firmly opposes the ‘freedom of hegemony’ that harms other countries’ sovereignty,” he said.

Song said that although the South China Sea issue does not concern China-Europe relations, Europe should caution and prevent itself from being manipulated by countries regarding the issue and from upsetting the peace and stability in East Asia.

Apart from seeking consensus and mutual support, the routine interparty meet-up between Chinese and European political leaders offers a platform to exchange governance experience, given the fact that political parties are the main carriers of a country’s governance.

Hence, routine interparty talks help to address ideological and strategic issues – not necessarily concrete projects and contracts – to form a tie that is independent of, yet connected with, intergovernmental relations.

To cater to the interests of political parties from different countries, the forum has specially set up two panel discussions, respectively centered on the themes of “Open Development: China-Europe Cooperation under the Framework of the ‘Belt and Road’ Initiative” and “Green Development: New Opportunities for China-Europe Cooperation.” According to the IDCPC, the eastern and central European countries are more interested in common development brought by the “Belt and Road” initiative, while green development is a topic more to the likings of western and northern Europe.

In addition to the two-day forum, a number of European delegates also took an inspection trip to Zhengzhou, the provincial capital of Henan in central China.



The 5th China-Europe High Level Political Parties Forum opens in Beijing on May 17.

# European delegates visits C. China's Henan Province



Xie Fuzhan, Party chief of the Henan Province (RI, front) walks with principal delegate of the 5th China-Europe High-Level Political Parties Forum to enter the venue on May 19.

Political party delegates from more than 24 European countries visited Zhengzhou, capital city of central China's Henan Province, on May 19-20.

They discussed economic, technological and cultural cooperation with officials and company CEOs in Henan Province at the China-Europe High-Level Political Parties Forum for Economic & Trade Dialogue held in Zhengzhou.

The dialogue is part of the 5th China-Europe High-Level Political Parties Forum.

"There is a strong bond between Henan and Europe that began with commerce groups traveling between central China and Europe 2,000 years ago and that continues today with the 'sky silk road,' operated by the Zhengzhou Airport Economy Zone and the Zhengzhou-Europe International Block Train," Chen Run'er, governor of Henan Province said. "Henan is willing to work with friends from all around Europe to deepen economic and trade cooperation and cultural exchanges, especially

in the fields of railway, aviation, agriculture, energy and equipment manufacturing."

Yanaki Stoilov, deputy speaker of the National Assembly of the Republic of Bulgaria and vice president of the Bulgarian Socialist Party made two proposals for improving the life of the majority of citizens in China and Europe: The first one is making a connection between ideas, policy and pragmatic decisions. The second aspect of China-Europe dialogue concerns the level and the actor's cooperation.

"Europe is an important trading partner to us," Zhao Jiancai, vice governor of Henan Province said. "Last year, the trade volume reached US\$7.5 billion. In the first quarter of 2016, the trade volume exceeded US\$2.4 billion, which is twice than the same time last year."

The trade volume between Henan and Europe was only US\$560 million in 2001, but this number reached US\$7.5 billion in 2015, Jiao Jinmiao, head of the Henan Provincial Commerce Department said. "A total of 28 European countries have established 300

companies in Henan Province so far and investment has reached US\$4 billion."

After the dialogue, delegates visited Yutong Bus Co., Ltd, Zhengzhou International Hub Development and Construction Co., Ltd and Zhengzhou New District.

Francis Wurtz, who has been a member of the central committee of the French Communist Party (PCF) since 1979, said that the car and smart phone production were very impressive. He also praised the dialogue as a deep exchange between both people and civilizations.

"I really enjoyed seeing the theater. It was really good because Zhengzhou is known for industry, technology and factories, but it is also famous for culture. I think it is very nice to see both," Catherine West, a Labour Party politician in the United Kingdom, said after touring the Henan Art Center, which is located in CBD of Zhengzhou New District. "It can be a window to China's ancient history, which I think people find very interesting. So it is a good possibility for tourism."



Delegates watch balance wheels made in Zhengzhou, which will be exported to France, on May 19.



Delegates visit a train that runs from Zhengzhou to several EU countries including Germany and France while touring the Zhengzhou International Hub Development and Construction Co., Ltd on May 19.

## Electrician 'lights' up ethnic village



Wei Chenggang

Wei Chenggang, a member of the Communist Party of China, was born in 1973 into an ethnic Miao family in Tongxin Village, Guizhou Province in southwest China. His parents were both physically challenged and unable to do heavy work, so during Wei's childhood, the local government and local villagers assisted him greatly.

Due to this experience, Wei has always felt that he owes something to the village. When he grew up, no matter what job he did, he has never forgotten to help other people.

Wei's first job was farming at home. He dropped out of school to make ends meet at home one year before he was about to sit an examination to enter college. When he returned

home, he bought many books on farming technologies, which helped him reap a bumper harvest that year. In 2000, he started using aquaponics, a system that combines raising aquatic animals and cultivating plants in water. This brought him an annual income of more than 100,000 yuan (US\$15,320) and made him the richest person in the village.

But just being wealthy was not his dream. He established a library in the village, offering more than 300 books on farming technologies to villagers for free. He also gave lectures to villagers, teaching them techniques on aquaponics. With his help, many villagers became wealthier.

To recognize Wei's contribution, he was elected as a village official. And Wei didn't fail to live up to the expectations of the villagers. After taking office, he started to repair the only road connecting the village with the outside world. Due to the tight budget, he had to work more than 1,300 hours every year in his spare time with other villagers. He also started a water and soil conservation project by organizing villagers to plant trees on more than 33 hectares of bare land.

Wei might have kept working like this for the rest of his life, but a power cut changed his career path again. The power cut came unexpectedly and lasted for several days, causing great losses to villagers' aquaponics business. This made Wei realize how important the power supply was for agriculture and for the farmers.

In 2010, Wei gave up his job in the village and became a worker at the local power station. Since then, he has been responsible for the power supply to 1,300 households in eight villages. Every day, he patrols through the

mountains to check the transformers, so as to ensure that even homes deep in the mountains are illuminated at night.

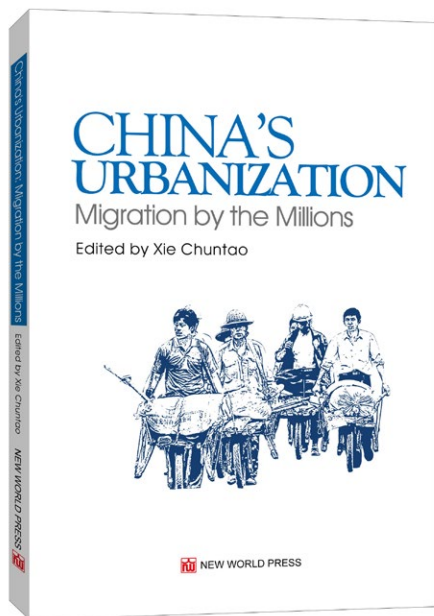
But being a good electrician is not enough for Wei. In 2015, he raised 68,000 yuan (US\$10,417.6) to build a bridge over a river running through his village. In the past, villagers had to wade through the water to go out, which was very dangerous in rainy seasons. To start the project, Wei donated all his savings and borrowed a lot from his friends. But the construction was still short of money and halted halfway. Touched by Wei's actions, his friends and colleagues came to help him. They worked voluntarily every weekend to help build the bridge. In March, Wei's friends posted his stories online, and donations came to him from all over the country, which helped the project finally resume.

To the others, what Wei has done is extraordinary, but to Wei, they are nothing special. "The others have helped me, so I must do the same to them," he said.



Wei Chenggang checks a transformer outside a villager's house.

# Book explores thorny issues in China's urbanization



Nobel Prize laureate Joseph E. Stiglitz once named urbanization in China and the new technical revolution led by the United States as the two great events shaping the world of the 21st century.

According to a report compiled by the National Development and Reform Commission, China's top economic planning body, over 56 percent of China's population lived in cities in 2015, and its urban population will grow to more than 900 million by 2030, becoming three times larger than the total population of the United States.

"China's Urbanization: Migration by the Millions" provides a full-range description of how millions of farmers in China became urban citizens during different periods of history. It also explores the country's land system and household registration system, deep-rooted issues that will be affected by urbanization for a long time to come.

The book reveals, from the farmers' perspective, the various complicated conflicts of interest and the growth and benefits that urbanization has brought to rural areas and to the rural population.

## Getting to Know **CHINA** through **KEYWORDS**

### Development for global progress:

The fourth component of the conceptual framework for development, development for global progress focuses on interactions between China and the rest of the world.

[More>>](#)

### Made in China 2025:

On May 8, 2015, China's State Council unveiled its first 10-year national plan for transforming China's manufacturing, entitled "Made in China 2025".

[More>>](#)

China, the world's second largest economy, is currently experiencing the largest process of urbanization in human history, with more than 20 million people moving from the countryside into cities every year. It's a process faced with more stringent constraints on resources and environmental capacity. Although rapid development has led to wide-scale material construction in urban areas during the past 30-plus years, the urbanization of people, namely the transformation of farmers and rural migrant workers into urban residents who are socially integrated into city life, is obviously lagging behind.

This means that China must take a new path of urbanization, one that features Chinese characteristics. Through this book, readers can learn about both the official and mainstream views on the new urbanization initiative and become familiar with the multi-directional probes on this issue in academic circles. By the end, the read will have a comprehensive and balanced understanding of the complete picture.

The book, co-published by the UK-based Global China Press (GCP) and New World Press (NWP), is Vol. 1 of the China Urbanization Studies book series. It will select the best works on China's urbanization from both inside and outside of China.

This book is edited by Xie Chuntao, a professor and director of the CPC History Teaching and Research Department at the Party School of the Central Committee of CPC. He is the author of many books, most notably: "Why and How the CPC Works in China" (Chinese and English editions), "Governing China: How the CPC Works" (Chinese and English editions), and "Challenges for China: How the CPC Makes Progress" (Chinese and English editions).

## Major events in May

### May 5: Pragmatic cooperation urged between China, Russia

**Keywords: Xi Jinping, Russia**

Chinese President Xi met with Sergei Naryshkin, head of the State Duma, Russia's lower house of parliament in Beijing.

### May 11: China, Morocco establish strategic partnership

**Keywords: Xi Jinping, Morocco**

Chinese President Xi and King Mohammed VI of Morocco signed a joint statement on establishing a strategic partnership between the two countries.

### May 12: Gov't launches US\$700b plan to improve infrastructure

**Keywords: infrastructure, economy**

A three-year action plan to improve the country's infrastructure has been formally launched, with a total investment of 4.7 trillion yuan.

### May 17: China pledges to advance cooperation with Afghanistan

**Keywords: Xi Jinping, Afghanistan**

Chinese President Xi met with Afghan Chief Executive Abdullah Abdullah, vowing to work with Afghanistan to promote a strategic partnership of cooperation.

### May 19: China, Mozambique lift bilateral ties

**Keywords: Xi Jinping, Mozambique**

Chinese President Xi and his Mozambican counterpart, Filipe Jacinto Nyusi, decided to lift the relationship between the two countries to a comprehensive strategic cooperative partnership.

### May 23-25: Xi stresses economic restructuring in northeast tour

**Keywords: Xi Jinping, northeast China**

President Xi Jinping pledged firm action on economic restructuring during a three-day inspection tour of northeast China's Heilongjiang Province, traditionally a center of heavy industry.

### May 27: China, India pledge to boost partnership

**Keywords: Xi Jinping, India**

Chinese President Xi Jinping held talks with visiting Indian President Pranab Mukherjee.