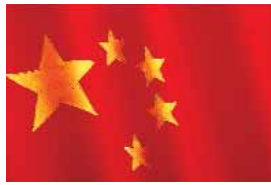


BRANDING CHINA

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Presenting China To The World

An Interview with The Honorable Zhao Qizheng,
Minister, State Council Information Office, Beijing



The Hon. Zhao Qizheng

EDITORS' NOTE After graduating from the Chinese University of Science and Technology, Zhao Qizheng joined the Communist Party of China (CPC) in 1979. He spent seven years in leadership roles in the CPC Shanghai Municipal Committee, and in 1993, he became vice-mayor of Shanghai. He was later appointed director of the State Council Information Office. Zhao is a member of the 16th CPC Central Committee.

INSTITUTION BRIEF The State Council Information Office (SCIO) of the People's Republic of China was established in January 1991 with the principal aim of facilitating the Chinese media in reporting China to the rest of the world. Among its activities, the SCIO hosts press briefings for Chinese and foreign reporters; provides books, data, and film and video products; offers assistance to foreign correspondents in China; and organizes cultural exchanges in other countries, working in close collaboration with government departments and media organizations. In addition, the SCIO supports the Chinese media's news coverage of foreign countries and international issues, with a view to keeping the Chinese people abreast of global events.

The State Council Information Office [SCIO], which you lead, looks like a

state public-relations firm in the eyes of many foreigners. Do you agree with that idea? What do you think of the role played by the SCIO?

I agree with you. There is only one thing the SCIO does, and that is to let the world know about China, by offering the world real information about China instead of launching propaganda campaigns. It is difficult to find an English word exactly right for the Chinese phrase *xuan chuan*. It is a big mistake to translate it as "propaganda." As far as I know, this English word means forcing people to accept some ideas or beliefs by using lame arguments and perverted logic.

So this office is called the State Council Information Office. The word "information" has a much wider meaning: to interpret China and supply the world with more information about China. There are a great many ways to do this, such as holding news conferences; issuing white papers; publishing books, periodicals, and newspapers in foreign languages; setting up Web sites using foreign languages; and organizing culture activities in the U.S. and other countries. What is the purpose of such interpretations? We want to let the world understand China better. That is to say, we want to create a better environment for public opinion. We would like to tell stories about the real China, letting the outside world know about the progress made in China and also its shortcomings. Every day we keep telling stories about China. However, we need to do it in a universal way. Because foreign people are quite different from us in education, culture, and religious beliefs, we must do it in a way that foreign people can understand. Generally speaking, we voice China's position, and tell China's stories in an internationally understandable way.

So we are indeed like a state public-relations firm. Our task is to tell the outside world exactly what has happened in China, and help China establish better relationships with foreign countries.

Have there been any changes in the SCIO's role over the past years? If so, do they reflect any changes in China's society today?

As I mentioned, our office is not a publishing house but a government organization engaged in promoting China's international public relations. I have been working in this office for eight years. When I first came here, the main task of this office was simply publishing and distributing publications in foreign languages, and there was a little negligence in terms of PR.

As for changes in our role, written contact has turned into face-to-face, interactive contact. Interaction is very important. It could clear up a lot of misunderstandings and it could promote much better communication.

Intergovernmental exchanges fall into one facet, and nongovernmental exchanges among people and businesses fall into another, an economic facet. Economic exchanges could promote the development of political exchanges, and this is the best way to build public credibility of political exchanges.

In your opinion, what is the best way to promote China?

Firstly, tell the truth. I believe that if you don't tell stories, other people will; if you don't tell the truth, rumors will spread. That is why we are improving the emergency reporting system at home, which must be quick and accurate. Noticeably, we have made great progress and we are much faster in our reporting than we were before.

Secondly, we ought to build a more immediate and rapid channel for information distribution, instead of having that information reprinted. The progress in our news-briefing system is one of the changes I have brought about and feel proud of. In the past, we didn't have a system in place to host regular press conferences, nor was very detailed information given to reporters. However, we hosted 60 press conferences in 2003, and that number will increase to 90 this year. Most of the press conferences were attended by government ministers, which raised the levels of transparency and accuracy, and showed their sense of responsibility. Moreover, all of our press conferences were broadcast live by four TV stations, which is quite rare in other countries.

Thirdly, we should use international languages to express what has happened in China. By doing so, we can show our respect for other cultures in the world. We ought to recognize the differences between cultures and respect them, and then we will be able to enhance mutual contact in an internationalized language.

What stage is China at in terms of its contact with the outside world? Are there any problems? How could it be made better?

As a rapidly developing country entering the arena of the world economy, China needs to express itself to the outside world several times a day, instead of just once a year. But still we have to face a severe reality. First, many foreigners still stick to the stereotyped thinking about China, which has remained unchanged for ages. Second, our own media are not strong enough. Despite having branches established throughout the world, the Xinhua News Agency mainly focuses its efforts on informing domestic readers. Third, only a few countries use Chinese, even though the Chinese-speaking population ranks the biggest in the world.

To promote the dissemination of information about China at home and abroad, the Chinese government has stepped up its efforts in recent years, encouraging the media to carry more reports on China's social development and China's policies, and to answer questions about China that are being raised by the outside world. We are able to provide the best information sources for the international media. The SCIO has really improved its work on press conferences. In the past two years, we have trained 4,000 press spokesmen from 30 provinces of the country. Last year, both central government and local government at all levels held more than 900 news conferences. The news briefings held in my office drew media crews from AP, AFP, Reuters, CNN, three channels of CCTV, and Hong Kong's Phoenix TV. Some Chinese Internet service providers did live broadcasts. In this way, reporters could gain ample information. It is said that 80 percent of the information issued by the SCIO is adopted as front-page news for that very day or week.

Further, we need to cooperate with the foreign media. We have initiated some cooperation with Time Warner and Kyodo News. They helped get CCTV4 and CCTV9

established in the U.S., Europe, and Japan. We hope, through such efforts, to create a sound atmosphere suitable for promoting understanding between China and the outside world.

How well do you think the outside world knows China? What are the main areas of misunderstanding and prejudice?

Generally speaking, China is not able

point out the flaws of China, and even discuss human-rights issues, as long as they have correct and kind intentions. It's quite unfortunate when they come to the conclusion that China is not so good first, and then try to find the so-called facts to validate their position. Oftentimes, the so-called facts are not accurate or real. Also, some people still won't give up the Cold War thinking about China.



Elizabeth H. Yang, China Chief Representative, LEADERS Magazine, interviews Minister Zhao Qizheng

to express itself thoroughly. This has resulted in the fact that it is hard for foreigners to know a lot about China. I once came across a young man at the entrance to the Golden Hall in Vienna, who was handing out pamphlets, and when he saw me, he made several Chinese kung fu postures. I am sure that all he knew about China came from seeing Chinese kung fu movies. This is only one side of China.

The Western media still dominates international reporting all over the world. About 80 percent of important news in the world originates from a couple of the foreign mainstream media. They sometimes fail to make objective reports about China and often exaggerate the flaws of China. Sometimes, they release so-called news, which, as a matter of fact, is just rumors. Misunderstandings arising from such a situation are very difficult to clear up only by explanation. The Western media once made exaggerated reports on China's growth and, furthermore, brought up arguments about the so-called "China threat." It is downright nonsense. China is never an aggressive country.

Some commentaries can distort facts much more viciously than news. Of course, the foreign media has the right to

You are the number-one information officer in China. What is the essence of the national brand of China? What messages should China, as a brand, convey to the world?

China is the most populous country in the world and it is also a developing socialist country. The essence of the China brand embraces two points. First of all, ideologically speaking, China is a country led by the CPC and set on the road of socialism with Chinese characteristics. It has transformed the imported Marxism into one suitable for China. Therefore, one must make judgments about today's China based on today's China's policies.

Secondly, China is an ever-changing and progressing country. It is far from perfect and there are still plenty of improvements to be made. For instance, we Chinese have a very good traditional culture, but now it has only a slight impact on other civilizations in the world. China's economy is evolving, the construction of the legal system and democracy is under way, and new laws are being decreed gradually. Why? The answer is that we need them. I suppose no country produces as many new laws every year as

China. Some foreign countries always blame China, saying that there is no democracy in China. That is just because they don't understand the foundation of China, which is that China leaped into socialism directly from a semi-feudal and semi-colonial society, without having gone through the capitalist or trained legalized society. We must acknowledge the fact that Chinese citizens need to be trained in and taught legal awareness. We need to build a sound and complete legal system. China never ever turns its back on democracy. Instead, it very much wants to get it established. This is a process. We dare to face the problems emerging from our development process and try to get them solved, step by step. The changes and developments taking place in China are where its vitality and energy are being applied, which contribute to a new China every day that everybody witnesses.

From your perspective, what would you like foreign political and business leaders to better understand about China's financial and banking industry, the regional economies, and media?

Speaking of the regional economies in China, one needs to understand that China is a more complicated market than Europe, because of the vast differences among China's economic regions. Some regions are similar to those in developed countries, and others are very backward. Both of these levels coexist in China. So the business dialogues between China and the outside world should be held in and organized by central cities at different stages of economic development. In other words, one needs to study the complementary nature of China's regional economy. It is critical to the development of the regional economy to avoid similarity.

The development of the regional economies can be divided into two phases: a form-developing phase and a function-developing phase. Let's take an example. It is just like a football-ground project. We are going to build a football ground to international standards. The flat ground should be covered with green grass, surrounded by stands with good views and shelters to protect spectators from the sunshine. That is the development of form.

As for the development of function, we can take international games as an example. How many international and domestic games will be held? What teams will go in for them? Will the games be ruled by internationally accepted rules? Are referees competent to judge the international games? Will there be live broadcasts of such games? These all involve the development of function. The development of function is the most important thing. If it doesn't happen, all efforts for the football ground will be in vain. The Pudong Development Area in Shanghai is in the phase of function developing. The

administration of the Binhai New Coastal Area in Tianjin should lay emphasis on both form developing and function developing. It is the right time for the Binhai New Coastal Area to make further development. The opportunity should be shared with the world.

About the financial and banking industry, we could say that our banks were large savings banks before, with very few financial products offered. Making Chinese banks internationalized means two things: expanding international business and absorbing international capital. Although the banks' international business has not yet been opened completely, it is already expanding day by day. It is



**We'd like to show
the public the
real China.**



inevitable that foreign banks will take shares in Chinese banks in the future, which will improve the Chinese banks' stability and levels of operation.

Speaking of the media, there is a saying that the Chinese media works as the mouthpiece of the CPC. In fact, that notion is changing. The media should always report the government's statements and policies accurately. Other than that, in terms of their obligation to the government, they only need to carry out their sense of social responsibility. Also, the media didn't pay attention to economic benefits 10 years ago, whereas now we are inclined keep a balance between both social and economic benefits. What we should do is transmit real news and healthy ideas to the public by commercial means. We should never regard social benefits and commercial benefits as a pair of contradicting factors. It is an outdated thought that if you want to gain commercial benefit, you will have to get rid of your social responsibility. Nowadays, you must hold both things together in your arms. We'd like to show the public the real China. China's growth is testament to our overcoming the old shortcomings and developing new strong points. So the Chi-

nese government encourages the media to report both our progress and our shortcomings, and to tell more true stories about China and leave it to readers to judge their authenticity.


You are highly praised by the international society as a leader who is straightforward and sincere, and one who deals with public affairs in a pragmatic way. Could you tell us something about the new generation of Chinese state leaders?

On the one hand, the new generation of Chinese leaders received an overall good education. On the other hand, they have held different government posts for a long time, and have grown as seasoned state leaders through long-term working practice. It is quite natural for them to hold their offices today and they are fully competent in their jobs. People are confident about them. They are able to handle foreign affairs properly. China's policies will be further developed, and you won't see sudden or fundamental changes in them. I believe this new generation of Chinese leaders is worthy of the world's trust.

You are now an image ambassador for China and the top spokesman of China. You were also once an image representative for the Pudong Development Area in Shanghai. If we take all of these titles away, we are left with your name, Zhao Qizheng. What does your name connote in spirit?

This man named Zhao Qizheng is a man who sets strict demands on himself. He ought to be obligated to his family, honest to his friends, and make a positive contribution to society. He is a man who can bring joy to people around him. Some of my friends think I am a rational idealist.

Finally, what are your comments or suggestions for taking Branding China into the foreign mainstream media outside of China?

China is playing an increasingly important role in the global forum. Its existence has impacted the world. If you want the world to be influenced by China in a positive way and to share China's opportunities, you must understand it and conduct dialogue with it. LEADERS' Branding China is presenting to its readers a changing China from an incisive point of view. It is very helpful for global leaders to know more about China, with a correct attitude, so they can further share the opportunities China has brought to the world. I believe LEADERS has good judgment in what it is doing. China has appeared in the arena of the world. It should be among the members of LEADERS. I hope that reporting of this nature will happen regularly in LEADERS, and not just once. I understand that you do not yet publish a Chinese version of LEADERS. What you are doing is a good start. 

China's New Road of Peaceful Rise

By The Honorable Zheng Bijian,
Chairman, China Reform Forum, Beijing



The Hon. Zheng Bijian

EDITORS' NOTE A member of the standing committee of the 10th Chinese People's Political Consultative Conference National Committee, Zheng Bijian concurrently holds the positions of chairman of the academic committee of the Central Party School, Communist Party of China (CPC) Central Committee; president of the College of Humanities and Social Sciences and graduate school of the Chinese Academy of Sciences; council chairman of the Chinese Scientists Forum on Humanities; and senior adviser to the China Institute of International Strategic Studies. He previously served as vice president of the Chinese Academy of Social Sciences; executive vice minister of the propaganda department of the CPC Central Committee; and executive vice president of the Central Party School, CPC Central Committee. He was a member of the 14th and 15th CPC Central Committees. In addition, Zheng masterminded the Deng Xiaoping Anthology Volume 3, and has drafted a range of significant documents, including reports delivered at the 12th, 13th, 14th, 15th, and 16th national congresses of the CPC.

INSTITUTION BRIEF The China Reform Forum is a nongovernmental and non-profit academic organization founded in 1994. It is devoted to the study of domestic and worldwide issues, including interna-

tional relations and economic development. Its research is closely associated with that of the Central Party School, CPC Central Committee.

It is a great pleasure for me to participate in the launch issue of LEADERS' Branding China series and to exchange views with the thousands of global decision makers that LEADERS reaches. I hope that my article will lead to better mutual understanding, more common ground, greater mutual trust, and less misgiving, in the interest of more positive and stable relations between China and the world.

I know there have been heated discussions in recent years, around the world, about whether or not China's peaceful rise will threaten other countries' global interests. Some important, constructive, enlightening, and interesting viewpoints have been presented. I hope my article will contribute to the discussion, with solid facts rather than abstract concepts, through the following points.

First, what has happened in the past two decades and more shows that China's peaceful rise is not a threat but an opportunity for the world. Since China began to pursue the reform-and-opening-up policy in the late '70s, it has opted for a road that seeks a peaceful international environment for development and, through its own development, contributes to the maintenance of world peace. China's peaceful rise can be understood as both a road and a goal for national development. As a road to development, it will independently build socialism with Chinese characteristics, by integrating with, and not divorcing itself from, economic globalization, and pursuing mutually beneficial and win-win relations with other countries. As a goal of development, it will help China realize modernization by the mid-21st century, overcome its underdevelopment, and catch up with medium-level developed countries.

By integrating China's modernization drive with economic globalization, China will take an active part in economic globalization and will not change the international order and configuration through

violence. Independently building socialism with Chinese characteristics means we will rely mainly on our own efforts to solve our problems, without causing trouble to others. Our experiences over the past two decades have demonstrated that this road of peaceful rise works.

Second, the Chinese leadership is soberly aware of the existing and future problems in the course of peaceful rise. The peaceful rise of a country with a population of 1.3 to 1.5 billion is by no means an easy task. This is especially true in the first half of the 21st century, when China is faced with both a golden period of development and an intense period of paradoxes. There are three fundamental challenges in this regard: The first is resources, especially energy; the second is the eco-environment; and the third is a series of paradoxes in the process of economic and social development, such as uneven development between the coastal areas and the hinterland, the contradiction between fairness and economic returns, rural-urban disparity, the wealth gap, and the relationship between reform and stability. If these three challenges cannot be settled satisfactorily, then worries will remain, and China's peaceful rise will be extremely difficult.

Third, China has already formulated three strategies to cope with the three challenges. This is of vital importance. The first strategy is never to take on old-style industrialization, characterized by high input, high consumption, and high pollution. Instead, China will blaze a new road of industrialization, featuring high-technology input, economic efficiency, low consumption of resources, low pollution, and a full play to its strength in human resources.

The second strategy is to transcend the traditional development approaches that big powers took in modern history and the Cold War mentality marked by ideology, and to take an active part in economic globalization. This is because China's peaceful rise benefits from economic globalization, which also facilitates the achievement of this goal.

The third strategy is to transcend outdated social-management models and con-

tinue to build a harmonious socialist society. It is necessary to build a social network that links government-control mechanisms with social-coordination mechanisms, complements government administrative functions with social self-regulating functions, and fuses government-management forces with social-adjustment forces with a view toward improving governance and social management.

Fourth, these three strategies and China's development path of peaceful rise share a distinct feature: solving the problems through our own efforts. This is what we mean by "Chinese characteristics" and coherence of China's foreign and domestic policies. That is to say, we link the peaceful rise with social reform and transformation within the country, and focus on building a Chinese-style socialist society that is modern and harmonious.

Fifth, to sum up, China's peaceful rise is a Chinese dream. Take energy consumption, for example. We can't afford an "American dream." Now, per-capita oil consumption in the United States is 25 barrels a year, while the figure for China stands at less than 1.5 barrels. If the Chinese come close to the current American oil consumption level in the 21st century, how much would our energy consumption grow from the current level? Ten times, 20 times, or more? This is dreadful to contemplate, for both China and the whole world.

Take population flow as another example. We will not pursue the "European dream" either. Europe rose to power by emigrating more than 60 million people overseas to set up colonies. This might have been a rosy dream for some Europeans at that time. However, it was a nightmare for all those who were subjected to their colonial rule. We Chinese have to rely on our own efforts to address the migration problem within our own territory.

Take the enhancement of our national strength as a third example. We do not want to dream a "Soviet Union dream." If you take a look at China's social reform and national transformation in the process of its peaceful rise in the first half of the 21st century, and compare it to the Soviet Union's arms race, expansionism, and hegemony during Brezhnev's time, you will find nothing in common.

Sixth, by following a development path of peaceful rise, we are not seeking to become a big military power contending for hegemony around the world, but a big market, a major civilization, and a responsible big power, playing a constructive role in the international community. Speaking of a big market, China was considered the biggest potential market 20 years ago. Today, China's huge market potential is being turned into reality. China has, since the Asian financial crisis in 1997 in particular, contributed a lot to trade and GDP growth around the world. A decade ago, some of the world's top telecommunications companies, such as

Motorola, were just beginning to set up their businesses in China; today, the number of mobile-phone subscribers in my country has reached 340 million, more than a quarter of China's total population.

Now, most of the world's top 500 companies have entered the Chinese market, as have many well-known American companies. Of the top 10 foreign exporting companies in 2004, three are from America. In 2004, 24.3 percent of the export by foreign companies in China went to the United States. If the United States opens itself up as a tourist destination to Chinese citizens, the huge number of Chinese tourists will further contribute to American economic growth. By building a major civilization, China's rise will boost the caliber of the Chinese nation and realize the great renaissance of its culture.

Seventh, since the goal of the Communist Party of China and China's development path is peaceful rise, as mentioned before, then what is there for the world to worry about? The former EU Commission President Romano Prodi recently said, at the Bo'ao Forum for Asia held in China, "We don't need economists to tell us when China will become the world's first or second manufacturer or exporter. What we want to know is what values China will adopt." I agree with him. To understand whether China's peaceful rise will threaten other countries' global interests, the world first has to understand the new concepts of the Chinese leadership since the third plenum of the 11th CPC Central Committee.

On this issue, I would respectfully draw your attention to the following five key points. First, in his late years, former Chinese leader Deng Xiaoping said, "China does not seek hegemony now, neither will it do so even if it becomes stronger, and we must let our future generations remember this." This was his political testament. Time and again, he stressed that China must stick to the policy of reform and opening up for a long time, and adhere to this basic guideline for 100 years to come.

Second, another Chinese leader, Jiang Zemin, put forward the important thought of the "three represents," which carries on Deng Xiaoping's theory. Jiang places greater emphasis on economic globalization, which he thinks is an irreversible trend of the times, and China's participation in it. He also points out that the world is colorful. China must develop its culture while learning from the achievements of all human civilization.

Third, the new Chinese leadership, with Hu Jintao as the CPC general secretary, further emancipating the mind, advocating pragmatism, and keeping abreast of the changing times, pursues a foreign policy of peace, a domestic policy of building a harmonious society, and the basic concept of reconciliation with Taiwan. These ideas have already exerted, and will con-


tinue to exert, a vital impact on China's domestic and foreign affairs.

Fourth, the realization of the country's peaceful rise by the mid-21st century will keep our leadership and people of several generations very busy. We must concentrate all our energy on fulfilling this task. We have neither the energy, nor the intention, to threaten others.

Fifth, China is the beneficiary of the current international order, particularly economic globalization. China stands for reform, rather than violence, in the efforts to establish a new international political and economic order. If people fail to see these important and basic concepts of the Chinese leadership, which conform with the trend of our times, they may arrive at a serious strategic misjudgment of China's direction in the 21st century, and thus commit a historic mistake.

I would also like to point out that we can't just wait passively for opportunities to come to our doorsteps. We should roll up our sleeves and create them. Not long ago, a former American official said the following to me: "If China and the United States can work in closer cooperation, then the 21st century will be a great century. But if the relationship moves back, the 21st century will be a very bad one for the two countries and the world." I cannot agree with him more, and this also applies to China's relations with the rest of the world. It takes two hands to clap. So fresh headway in China-world relations calls for common efforts among governments.

Let me suggest to people who care about China's role in the world the following three things that you need to rise above. The first is Cold War thinking. People who subscribe to such thinking are very likely to make a strategic misjudgment about Chinese-style socialism and the Chinese Communist Party. The second is the sense of cultural superiority that uses one's own values as the yardstick of right and wrong. Today's world, after all, is already in a brand-new age with multiple civilizations living side by side and different cultures interacting productively. The third thing that one should rise above is the traditional theory that emerging power is bound to challenge existing dominant power, because it cannot explain China's peaceful rise.

In conclusion, please allow me to quote two great Chinese leaders. Mao Zedong, the founder of "New China," said in the '50s, "China will become a great, strong, and friendly country." Deng Xiaoping, the chief architect of China's reform-and-opening-up program, also propelled such a position for China through rapid reform. I hope that you will agree with them and tell your people about them. If we look at China as a brand, the essence of it is this: China is a country of peaceful rise and a country that will bring opportunities of growth to the world. So I hope that the world will embrace it. 



China's Finance: Reform, Development, and Openness

An Interview with The Honorable Jin Renqing,
Finance Minister, People's Republic of China



The Hon. Jin Renqing

EDITORS' NOTE Jin Renqing was born in Jiangsu Province in July 1944. He graduated from the Central Finance Institute, where he majored in finance. He was once vice governor of Yunnan Province, vice minister of the Ministry of Finance, vice secretary-general of the State Council, vice mayor of Beijing, and minister of the State Taxation Administration. He assumed the position of finance minister in March 2003.

MINISTRY BRIEF The Ministry of Finance of the People's Republic of China is a ministry directly under the State Council. It is a macro-control ministry in charge of the state's financial revenue and expenditure, and formulates financial policies.

Why is China shifting its proactive financial policy to a prudent financial policy? What are the main implications of the prudent financial policy?

To properly deal with the impact of the Asian financial crisis and problems like the deficiency in effective demand of the domestic market, the Chinese government carried out the proactive financial policy or expansionary financial policy in 1998, focusing on issuing more long-term construction treasury bonds. The implementation of this policy in the recent couple of years had proved its correctness and effectiveness. Treasury bond invest-

ment drew up China's GDP by 1.5 to 2 percentage points each year and forcefully promoted the restructuring of the national economy.

Since the second half of the year 2003, China's economy has started to emerge from the impact of deflation and had sped up its pace of development. However, problems also appeared, like too fast an increase in investment in some areas and industries, the relatively serious situation of repeated construction, and the increasingly heavy pressure of inflation. In the face of this situation, the Chinese government has taken a series of macro-control measures in a prompt and appropriate manner, including practicing the following financial policies: adjusting the scale and structure of financial investment; reasonably monitoring the progress of financial investment; providing more financial aid to agriculture and rural areas to increase grain output and the income of the farmers; further strengthening financial support to such fields as education, science and technology, culture, public health, social security, etc.; further perfecting the regulations related to centralized fund collecting and allocating by the State Treasury and the system of government purchase; progressively promoting the reform of the export tax refund system; continuing efforts on the pilot program of value-added tax reform; and properly utilizing the extra-increased amount of revenues. All these financial policies have firmly supported and reinforced the macro regulations, contributed to the preliminary elimination of unhealthy and unstable factors in the process of economic development, and boosted China's economy, which succeeded in maintaining a relatively high speed of 9.5 percent in 2004.

To further consolidate and improve the macro regulation and to maintain the stable and healthy development of the national economy, the Chinese government has decided to adjust the orientation of its financial policies. Meanwhile, considering the many weak aspects, such as agriculture, education, public health, and social security that need to be strengthened immediately in the process of China's economic and social development, it is also

inappropriate to step on the brakes abruptly in the financial policy. Therefore, the new policy should put its emphasis on the structural adjustment along with a proper control of overall revenue and expenditure. In light of this, the Chinese government has decided to practice a prudent financial policy from 2005, or a neutral financial policy in the sense of economics, which is a major and timely policy shift made to conform to the current changes in China's economy and to better serve the needs of the macro-control.

The main contents of the prudent financial policy can be summarized in the following four points:

First, deficit control, or in other words, moderately reducing the financial deficit of the central government is an issue. The budgeted fiscal deficit for 2005 is RMB300 billion or \$37 billion, RMB19.8 billion or \$2.4 billion less than last year. A long-term construction state bond of RMB80 billion or about \$10 billion, is to be issued this year, which is RMB30 billion or \$3.7 billion less than last year. With the constant growing of GDP, the ratio of fiscal deficit in GDP will decrease from 2.3 percent in 2004 to approximately 2 percent this year.

Second, structural adjustment must be considered. The structure of fiscal expenditure and treasury bond investment flow are to be adjusted in light of the scientific outlook of development and public finance. We discriminatorily treat financial appropriations to different fields and areas, in order to consolidate the weak aspects of our economic and social development.

Third, pushing forward reform, namely, changing the previous way of driving economic growth mainly through issuing treasury bonds is a priority. We reasonably adjust and reduce the fund to be used in the treasury bond-supported projects, while keeping the financial investment by the central government at a certain scale, so that more financial resources are made available for the structural reform and system innovation that are favorable for the establishment of a long-term mechanism that will stimulate spontaneous and healthy economic growth.

Fourth, we seek to expand revenue while cutting expenditures. To maintain or slightly reduce the overall tax burden, we collect tax strictly according to law, guarantee the steady growth of the financial revenue while strictly managing expenditure, and earnestly enhance the effectiveness of the fiscal funds.

What fiscal policies will China adopt in 2005 to deal with the problem of overheated investment in some areas and industries, and to successfully achieve a “soft landing” for the economy?

China began to practice the prudent fiscal policy in 2005, stressing mainly the following aspects.

First, we sought to slightly reduce the financial deficit of the central government and the scale of the long-term construction treasury bond. We will optimize the structure of the treasury bond utilization, give preferential fiscal policies to the weak links in the economic and social development and central and western regions, and guarantee funds for the key projects still under construction.

Second, we want to continue to strengthen support to agriculture, rural areas, and farmers. We will further step up the pilot reform on the agricultural tax relief and remission. In 2005, 27 provinces have realized the goal of total exemption from agricultural tax, which has benefited 800 million farmers. The central government has arranged an additional budget of RMB14 billion, or \$1.7 billion, as subsidy for the local move toward agricultural tax relief, and 29 provinces have implemented the policy of giving direct subsidy to grain production, which has amounted to RMB13.2 billion or \$1.6 billion in 2005. We are also increasing input in such fields as infrastructure construction in rural areas, the development of agricultural science and technology, the reinforcement of agriculture, poverty relief, compulsory education and health in rural areas, etc.

Third, we are adjusting and optimizing the structure of spending. We have expanded investment in some weak aspects of society; perfected our fiscal support in the sectors of science, education, culture, and health; and intensified the public-health system. We have also demonstrated our strong support of circulatory economy and biological environment preservation and construction, and reinforced our efforts in employment and reemployment and social security.

Fourth, we are strongly pushing forward different fiscal and tax reforms. We have promoted the healthy development of foreign trade through further perfecting the reform of the mechanism of tax refunds on exports. We have also ensured the stable operation of the economy by adjusting policies on house resale tax and stock tax. We continue to intensify the pilot reform on the transformation of value-added tax and conduct research on the integration of

income tax of both domestic firms and foreign-funded firms. We continue to support the reform of state-owned enterprises and the transformation of the joint-stock system of state-owned commercial banks.

Fifth, we are rewarding and subsidizing some localities. We have allocated RMB15 billion, or \$1.9 billion, as rewards or subsidies especially for financially strapped counties that have achieved an increase in local tax revenues, provincial and municipal governments which increase their fiscal transfer to poor counties, township-level governments that streamline their organizations, and counties with large grain production, thus relieving the fiscal difficulties faced by the poor township-level governments.

At present, the positive effects of the prudent financial policy are emerging. Under the combined effects of the prudent fiscal policy and other macro-control measures, China's economy continues to grow toward the preset goal. In comparison with the same period of last year, in the first half of this year, China's GDP increased by 9.5 percent, the total fixed-assets investment by 25.4 percent, the total retail volume of consumption products by 13.2 percent, the total volume of imports and exports by 23.2 percent, national financial revenues by 14.6 percent, and the consumer price index by 2.3 percent. The macro economy has maintained a sound performance of high growth and low inflation, some crucial indicative ratios in the economic operation are improved, and social development is advancing at a relatively high speed.

The Chinese government has decided that in a certain period of time to come, China will maintain the consistency and stability of the macroeconomic policies, upholding the prudent fiscal policy and monetary policy, and faithfully implementing all the measures aimed at improving macro-control. At the same time, China will make proper and timely adjustments in view of changes in the real situation, so as to head the economy toward the goal pre-set by macro-control. We believe, through our efforts, the pre-set goal of this year's economic development will surely be achieved.

Would you please talk about China's advancement in achieving the Millennium Development Goals?

Like other U.N. member states, China has committed to fulfill the Millennium Development Goals no later than 2015. While focusing on developing its economy, China also upholds the concept of scientific development, which emphasizes serving the needs of the people and developing in a coordinated and sustainable way, and the country tries hard to achieve a harmonious development of economy, society, and the people. In recent years, the related departments in the Chinese government have actively coordinated their positions and made concerted efforts to strive for the realization of the Millennium Development Goals.

First, the Chinese government supports the work of poverty relief and development. China has always been an important country when it comes to global poverty relief and development. For more than 20 years, China has consistently enforced many large-scale, fruitful poverty relief plans, while maintaining its rapid economic development, getting more than 200 million people out of poverty. This is a significant contribution China has made to the entire work of global poverty relief and development.

Second, the Chinese government supports extending nine-year compulsory education and eradicating illiteracy among young and middle-aged people. The Chinese government has decided that, starting from the spring semester of 2005, all the primary and secondary school students in poor rural families in the 592 key counties for state level aid of poverty relief and development will enjoy free textbooks and an exemption for all miscellaneous charges during the nine-year compulsory education period. The boarding students from poor families will be offered living subsidies. At present, beneficiaries of this policy have amounted to 30 million.

Third, the Chinese government supports the establishment of a sound public-health system. The Chinese government has decided to build up and improve a disease-information network, a disease-prevention and -control system, a medical-treatment system, and a health monitoring system, and to strengthen work on major infectious-disease prevention and health in rural areas. For these purposes, the central government has earmarked special funds, mostly for rural areas, to improve the current public-health system and the prevention and treatment of major infectious diseases.

We also clearly understand that China still faces difficulties and challenges to achieve the Millennium Development Goals on schedule. Now, there are still 26 million people living in poverty and 60 million people with quite a low income in China. Besides, further efforts in AIDS prevention and treatment, supply of clean drinking water, and environmental improvement still need to be made.

China is a firm proponent of global development, and has been always dedicated to promoting international cooperation concerning poverty relief and development. China has appealed on different occasions for the developed countries to faithfully fulfill their commitments, add their development aid, and reduce trade barriers against developing countries. At the same time, China has also offered its due help to the outside world. For instance, China has made donations to many poverty-relief funds, including the African Development Fund and the Asian Development Bank, and has cut or remitted debts of some other developing countries. 

PBC's Five Areas of Focus

An Interview with The Honorable Zhou Xiaochuan,
Governor, The People's Bank of China, Beijing



The Hon. Zhou Xiaochuan

EDITORS' NOTE Zhou Xiaochuan graduated from Beijing Chemical Engineering Institute and received his Ph.D from Tsinghua University, and subsequently served as assistant minister of foreign trade (December 1986 to December 1989) and a member of the State Economic System Restructuring Committee (November 1986 to September 1991). He became vice president of the Bank of China in September 1991 and was appointed to the State Administration of Foreign Exchange in October 1995. From October 1996 to February 1998, Zhou was deputy governor of the People's Bank of China and administrator of the State Administration of Foreign Exchange. He became president of the China Construction Bank in February 1998 and chairman of the China Securities Regulatory Commission in February 2000. Zhou assumed his current post in December 2002.

DEPARTMENT BRIEF Established in 1948, the People's Bank of China (PBC) is the central bank of the People's Republic of China. As a member of the State Council and a government department responsible for macroeconomic management, the People's Bank of China formulates and implements monetary policy, safeguards financial stability and provides financial services under the guidance of the State Council.

What will the PBC focus its efforts on in the near future?

In the first half of 2005, China's economy maintained steady and rapid growth. The excessively rapid growth of investment was contained, consumer demand increased markedly, price indices moderated steadily, and great improvements were made in the fiscal revenue and the income of urban and rural residents. In the first half of 2005, GDP grew by 9.5 percent and the CPI (consumer price index) increased by 2.3 percent on a year-on-year basis; the growth of money and credit was appropriate, and the financial sector performed soundly.

In line with the central government's overall plan to strengthen and improve macroeconomic management, the PBC will continue to pursue sound monetary policy and strengthen the market-based means to control economic aggregates and promote structural adjustment. Efforts will be focused on five areas. First, the PBC will take concrete steps to improve its forecast of economic and financial trends. Second, the indirect management tools will be further improved and the mix of monetary policy instruments will be flexibly used to ensure the steady and appropriate growth of money and credit. Third, by encouraging the commercial banks to improve their credit structure, the PBC will seek to strengthen the role of prices in promoting balanced supply and demand and structural adjustment. Fourth, external economic and financial development will be closely monitored to promote a payments equilibrium. Fifth, issues related to market exit of the financial institutions will be properly handled to maintain the stability of the financial system.

What are the crucial issues in the reform of the state-owned commercial banks, and how do you feel about the practice of transforming their operating system through public listing?

The Chinese government attaches great importance to the reform of the state-owned commercial banks. In September 2003, the State Council decided to set up a leading group for the pilot joint-stock reform of the wholly state-owned

commercial banks. In December 2003, the Central Huijin Co. Ltd., established with the approval of the State Council and acted on behalf of the government, injected foreign exchange of \$22.5 billion respectively to the Bank of China and the China Construction Bank. The pilot joint-stock reform was carried out in these two banks, and they established joint-stock companies on August 26 and September 21, 2004, respectively. Modern corporate governance has taken shape in these two banks. In April 2005, the Central Huijin Co. Ltd., acting on behalf on the government, recapitalized the Industrial and Commercial Bank of China with \$15 billion. By the end of June 2005, financial restructuring of the Industrial and Commercial Bank of China was basically completed, and the preparatory work for establishing a joint-stock company is currently underway.

In the past, the state-owned banks were regarded as part of the government and they operated similar to government offices. The key of banking reform is to establish reform incentives within the banks and to create an external environment for the banks to operate on a commercial basis.

In pushing ahead with the joint-stock reform in line with internationally accepted practices for listed companies regarding information disclosure, supervision requirement, accounting standards, and corporate governance, we have made concrete progress in addressing the external problems and establishing internal reform incentives. Other relevant reforms have also been accelerated. Nevertheless, completion of the listing procedures does not mean that the reform is finished. The banks will be subject to market oversight with higher standards after they are listed. So public listing is really an important step in advancing the banking reform. We will continue to make efforts in this area.

The central bank recently published a special report on the market-based interest rate reform, which has attracted broad attention. What is your thinking about the market-based interest rate reform in the future?

The market-based interest rate

reform constitutes an important part of China's efforts to build a socialist market economy, under which the market plays a major role in resource allocation. It is also the key to the indirect management of the financial system and a prerequisite to transforming the operating mechanism of the financial institutions and enhancing their competitiveness. Moreover, market-based interest rates will help improve the RMB exchange rate.

In recent years, the central bank has been making steady efforts to advance the market-based interest rate reform. Two important measures were adopted in 2004. First, the band of interest rates on loans of the financial institutions was widened on January 1, 2004. Second, the upper limit on loan rates and lower limit on deposit rates were removed on October 29, 2004. At present, there are only two control measures for interest rates: the ceiling on the RMB deposit rate and the floor for the RMB lending rate.

With the above two steps taken, the near-term goal for the reform of the interest rate system is basically realized and there will be no further reform measures in the near future. Of course, the commercial banks still need to make efforts to enhance their ability to properly assess risk and to set prices.

The lower limit on loan interest rates and upper limit on deposit rates will be maintained for a relatively long period of time before consideration can be given to remove them, because such reform involves many factors, including the order of market competition and interest-rate spread. If the financial and capital constraints of the banks are not strong enough, removing these limits is likely to result in improper market competition.

What are the main features of the new RMB exchange rate regime, which was put in place in July 2005?

Foreign exchange control has been gradually relaxed, the foreign exchange market further developed, more market instruments introduced to facilitate transactions, and concrete progress achieved on financial reforms on various fronts. Macroeconomic management has yielded manifest results with the economy continuing to grow in a steady and relatively fast manner, and the world economy has developed stably in conjunction with a solid appreciation of the U.S. dollar. These factors have created a favorable environment for the reform of the RMB exchange rate regime and laid a solid foundation to ensure its success. Therefore, it is a relatively good time to reform the RMB exchange rate regime.

To establish and improve the socialist market economic system in China and enable the market to fully play its role in resource allocation, China reformed the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with

reference to a basket of currencies. The RMB is no longer pegged to the U.S. dollar. Instead, the RMB exchange rate will be determined based on a basket of certain major currencies with assigned weights, selected in line with China's external sector development. At the same time, proper measures could be taken to manage and adjust the RMB exchange rate based on market supply and demand and according to the domestic and international economic and financial developments with reference to the exchange rate indices of the basket currencies, as an effort to keep the RMB exchange rate stable at an adaptive and equilibrium level. Of course, the managed floating exchange rate regime must also be based on another important factor – market supply and demand.

The selection of the basket currencies and the determination of the weights must consider the currencies of China's trading partners in current account transactions. The current situation in China shows that trade in goods and services dominates current account balance. Therefore, the shares of trade are the major considerations in the determination of the currency components of the basket. China's major trading partners are the United States, Europe, Japan, and Korea, so naturally those currencies are major parts of the basket. In addition, China also trades significantly with Singapore, Malaysia, Russia, Australia, Canada, and Thailand, and those currencies are also important in determining the RMB exchange rate.

What reforms has the PBC undertaken to speed up the development of the inter-bank foreign exchange market?

To further improve the socialist market economy, enhance the role of the market in determining the exchange rate, and provide more risk-management instruments for banks and enterprises, the PBC has recently launched a number of measures to promote the development of the inter-bank foreign exchange market. First, more institutions will be allowed to participate in the inter-bank foreign exchange spot market. Non-bank financial institutions and non-financial enterprises will be allowed to enter into the market based on their true demands. Second, additional trading modes will be adopted. A price-query system will be introduced to the inter-bank foreign exchange market, where entities can trade via bilateral credit authorization and settlement. This trading system will be first adopted in forward transaction. Third, more trading instruments will be introduced. Qualified participants can deal with forward transactions and those with registration for more than six months will be allowed to deal with swaps that combine spot and forward transactions or different forward transactions.


These measures are important to strengthening the foreign exchange market infrastructure, improving the RMB

exchange rate regime and to having the inter-bank foreign exchange market play a fundamental role in resource allocation. The measures are also of great significance in facilitating domestic economic entities to manage exchange-rate risks, expanding the coverage of banking services, and developing the domestic derivatives market for RMB trading against foreign currencies. While accelerating steps to develop the inter-bank foreign exchange market, the PBC will strengthen its supervision and management over the market to ensure its sound performance and keep the RMB exchange rate basically stable at an adaptive and equilibrium level.

What are the impacts of the reform of the exchange rate regime on the domestic enterprises, commercial banks, and China's economy?

In the short term, the reform of the RMB exchange rate regime can have an impact on economic growth and employment. Broadly speaking, the benefits of the reform outweigh the associated costs. The reform has set higher standards for domestic enterprises and commercial banks to improve their market operation. We will guide the enterprises to strengthen restructuring to absorb impacts smoothly throughout the reform period. Banking institutions and foreign exchange administration agencies should further improve financial services to provide strong support for the development of the enterprises. The enterprises should also accelerate restructuring and transform operating mechanisms to improve adaptability to the reform of the exchange rate regime and to the movements of the exchange rates.

Do you think the 2-percent RMB exchange rate revaluation is too small?

We consider it a proper adjustment. It was determined considering the size of trade surplus and the needs for restructuring China's foreign trade, while at the same time taking into account the resilience of the domestic enterprises to absorb the risks and their real local currency costs of export earnings. The exchange rate is adjusted not to achieve an absolute trade balance with the United States, but to pursue an overall foreign trade balance, and the 2-percent revaluation satisfies the need for a broad trade balance in goods and services. Also, the adjustment is conducive to maintaining the steady growth momentum of the macro-economy, consolidating the achievements of macroeconomic management, and ensuring a steady operation of financial markets. Moreover, the reform is focused not on the quantitative adjustment of the RMB exchange rate, such as the level of revaluation and the size of the exchange rate band, but on the improvement of the RMB exchange rate regime. The PBC will make adjustments to the RMB exchange rate band when necessary, according to market developments and economic and financial situations. 



Building A Modernized Commercial Bank

An Interview with Guo Shuqing, Chairman,
China Construction Bank Corporation, Beijing



Guo Shuqing

EDITORS' NOTE From July 1988 to March 1996, Guo Shuqing served as a deputy director-general of the State Planning Commission's Economic Research Center, and director-general of the General Planning and Experiment Department of the State Commission for Economic Restructuring. From March 1996, he was promoted as the secretary-general of the State Commission for Economic Restructuring. In July 1998, he became the vice-governor of Guizhou Province. In March 2001, he concurrently became deputy governor of the People's Bank of China and president of the State Administration of Foreign Exchange. In December 2003, he was elected chairman of China Huijin Investments Limited, while still holding his positions with the People's Bank of China and the State Administration of Foreign Exchange. In March 2005, Guo became chairman of China Construction Bank Corporation.

COMPANY BRIEF China Construction Bank Corporation grew out of China Construction Bank, which was founded in 1954. As a state-owned specialized bank, China Construction Bank was mainly in charge of disbursing funds for the country's infrastructure construction, and managing and monitoring the use of such funds according to government plans. In 1994, China Construction Bank

transferred its financial functions and policy-directed infrastructure-loan businesses respectively to the Ministry of Finance and the State Development Bank, and ceased its role as a state administrative body implementing policy-directed businesses, and thus made an important step forward in its transition to a modern commercial bank. In September 2004, China Construction Bank Corporation was established after the restructuring of China Construction Bank. China Construction Bank Corporation provides services to its customers through its more than 14,000 branches around China, computer network systems that cover its city branches and comprehensive businesses, its six overseas branches and two representative offices, and the wide network connecting it with more than 1,000 overseas banks.

By the end of 2004, the total assets of China Construction Bank Corporation amounted to RMB3.9 trillion or about \$481.2 billion. In July 2005, it was ranked 25th among the 1,000 banks in the world for total assets, and was also awarded "Bank of the Year 2005 in China." In the same month, according to Fortune magazine, China Construction Bank Corporation ranks first in the world for return on revenue. It won 10th place in the top 500 Chinese enterprises and second among all the Chinese commercial banks.

With the continuous deepening of the economic reform in China, the transformation of the state-owned banks is also vigorous. As the second largest state-owned bank in China, what advancements has China Construction Bank made in terms of carrying out joint-stock reforms?

It has been more than 10 years since China Construction Bank carried out reform, and the joint-stock reform was just adopted no more than two years ago. In 2003, we achieved a reform breakthrough. First, we restructured our financial sector and shook off the non-performing assets. By the end of last year, the ratio of non-performing assets in the

bank had been reduced to 3.9 percent, and the capital adequacy ratio had surpassed 11 percent.

Second, we carried out internal organizational reform. We established some new departments while removing some old ones. We also practiced the vertical management of our auditing and risk management departments, step by step. Third, we introduced reform to our employment system, which brought about a fundamental change to the bank. In the past two years, we transferred more than 70,000 employees to other businesses, so that the number of staff in the bank has been reduced from more than 400,000 to about 300,000 at present. Besides, the government-like administrative hierarchy in the bank was totally broken and all life-long employed workers were converted to contractors, including me. Therefore, there is no iron rice bowl for anyone in the bank, even for the chairman of the board.

Fourth, we streamlined the organization of the bank, which was also an important part of our reform. We cut the number of our savings banks from nearly 30,000 to the current 14,500. However, the most fundamental change behind this move is guided by a customer-centered concept. We have adjusted our business procedures and service products, so that we can better serve our customers and be more customer and market oriented. Better services to customers means stronger competitiveness in the market, which indicates greater value creation. Greater value brings profits to our shareholders and society. All these reforms are delicately devised for the current phase, and can be recognized as breakthroughs.

China's goal concerning reform of the state-owned banks is clear: to build them as modern financial enterprises – modern commercial banks. To be more exact and concrete, the goal is to create sufficient capital, strict internal controls and management, safe operations, and sound services and economic benefits. These are all basic requirements for a modern commercial bank, and are requirements for all modern companies.

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Internationalization means we are drawing closer and closer to world financial companies, especially top world commercial banks.

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We introduced the responsibility system when we were implementing the organizational reform, which aims at totally changing a situation in which no one is responsible for any operation mistake. A person must assume a certain responsibility. The responsibility system is not a punishing mechanism, but an inspiring one. For instance, a branch's president must be responsible for any mistake made in the business that he takes charge of, and even resign if the mistake is grave enough to reach a certain degree. Here we do not regard resignation as a punishment, but the result of a close connection between position, power, and responsibility that aims at pushing everyone to concentrate on his work.

Internationalization of the state-owned banks seems to be a major step in the reform of Chinese banks. What does internationalization mean to China Construction Bank Corporation? And what significance do internationalization and strategic investment have to the bank's further development?

We think the so-called internationalization means we are drawing closer and closer to world financial companies, especially the world's top commercial banks, and guiding principles of management, operation mechanisms, and service products, and our customers should be different companies and individuals from different countries. We will learn from the world commercial banks and their operation mechanisms and means of management, and will absorb their most advanced knowledge and expertise in such areas as risk control, customer services, and financial products. China Construction Bank is the first financial institution in China to use the concept of economic capital and added economic value to measure its benefits. It is also the first of its kind to research the risk-alarm system, implement the internal rating system, and improve its management according to the Basel Accord. All these are advanced things in the international financial community. More importantly, we have had two inter-

national strategic investors this year, which will surely play a positive role in pushing us forward in the internationalization drive.

We want to draw in the international strategic investors not merely for an increase of capital, but more importantly for introducing their advanced conception, management, and products, which are most precious to us. First, their experiences in handling the relationship between general meetings, board of directors, and the leadership of the company will contribute to the improvement of our corporate governance. Second, they have some distinctive practices in retail banking services and marketing and sales. For example, Bank of America meets the demand of the financial market very well. It develops many new products and provides best services especially to consumers and small enterprises, and is the largest financial-service provider in the U.S. And their advantages are exactly what we are lacking. Third, we are in great need of their assistance and experience in risk control. Fourth, we can also learn a lot from the international commercial banks in regard to electronic banking and IT, in which they have been engaged for quite a long time and are rather experienced. Besides, there are also practices worth learning in their human-resources management, incentives and compensation packages, and treasury management.

With the ever-increasing financial cooperation between China and the rest of the world, do you think the outside world has a precise and objective understanding of China's economic development?

Now, there are some misunderstandings about China's economic development in foreign countries. They regard China's development as aggressive and a threat to other countries. These misunderstandings stand especially in economic and financial sectors, and include ideas such as China's development takes away capital needed for other countries' development and China helps burst economic bubbles, creates excessive de-

mand for resources, and leads to a severe imbalance in the world economy. I do not think these worries are totally unjustified. Actually, it is only natural for one to care about the economic, financial, and physical security of his own country. The starting points of these misunderstandings are understandable and even we Chinese would think this way. However, the key problem is whether or not these arguments are valid. First, let us look into the issue of China absorbing foreign capital. China has been a net-capital outflow country in general, although it has attracted much FDI since the early '90s, because the foreign exchange reserves it has accumulated have all been invested in other countries, with the U.S. as the largest beneficiary. Second, we offer the entire world made-in-China goods that are of good quality and inexpensive. Without China, the world economy would not be like it is today, inflation would not be contained at today's level, and there wouldn't be so many stabilizing factors in the U.S. and European economies. Third, China provides a gigantic market for the whole world. At present, China imports about \$600 billion in goods each year. Japan, South Korea, and all Southeast Asian countries are enjoying trade surplus with China, and the U.S. and EU exports to China are also expanding dramatically. Without China, those countries producing raw materials would probably fall into economic recession. Oceania and South American countries are very happy about the great demand in China. China is providing markets and opportunities for these countries. Of course, in some areas China's economic development may also cause some negative effects to other countries, just like to itself, but generally speaking, China contributes positively, not negatively, to the world economy as a whole. China will become one of the largest economies in the world according to its economic and financial development, and it will create more wealth for the world and more opportunities to other countries, especially Asian countries and its neighboring countries. I

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**Our core value
comes from turning
our old conception and system
to a new one focused
on customers.**

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believe with China's development, the world will become better.

As the leader of China Construction Bank Corporation, what kind of culture do you wish to foster for your enterprise? And what core values will China Construction Bank pursue to blaze a distinctive branding trail in the future?

When talking about the values of my bank, I like to use words like diligence, honesty, steadiness, and creativity. However, these are common values and what I want to stress is the special one. We fumbled quite a long time in the past as to how to carry out reform. Then we found out the key issue is transforming a bank affiliated with the state finance and specialized in funds distribution into a modern commercial bank. Our core value comes from turning our old conception and system to a new one focused on customers. Only by doing this can we establish a modern commercial bank and possess the largest value creation and strongest market competitiveness, which are of the utmost important significance to our bank's reform, development, management, and internal stability. Although we have done many things to realize the transformation of our bank, the fundamental key to measure this issue lies in whether or not our more than 300,000 employees have shifted their old working conception and behavior from focusing on ourselves, as well as the government's plans and orders, to focusing on the customers and trying best to serve the needs of the customers. That is the most fundamental change.

We also stress the spirit of teamwork and uniformity in our bank culture. We make an objective judgment of our staff and respect their work and choices. They are most concerned with whether or not they can obtain a sound development in this bank. So we require all departments to help each staff member draw out a career plan. This career plan is not done by the bank, but by the associate himself, while the bank only offers some help and suggestions. Competition is natural. However, we need to set up a conviction in all

our staff that our bank is a large platform that can provide opportunities to all staff members.

Besides, I think there are still problems in the team building of the bank. On the one hand, some employees do not possess the knowledge and ability required by a modern commercial bank. On the other hand, we sometimes misunderstand the employees and follow an unscientific management pattern with them. Too many bureaucratic levels waste our precious human resources, our employment system still has remains of the planned-economy era, and I don't think that our female employees can fully demonstrate their potential. All these need to be changed, and we have been in the process of doing so. Further reform is still needed to accomplish these goals.

Another important element in the bank culture is social responsibility. We encourage the employees to care about their society, their country, and the world at large. We have the long-established Love Fund, for helping poor college students. We also gave financial aid to children who have caught a fatal illness, and have sponsored many cultural activities. After the disastrous tsunami in Southeast Asia, all staff in the bank actively donated money and goods to the affected people, which reached a total of over RMB7 million, or about \$860,000, according to incomplete statistics. We are now preparing to set up a Mutual Help Fund to help those employees with special living difficulties. All our employees are supposed to donate money on their own volition. Notably, those employees who have been diverted out of the bank are also eligible to apply for aid from the fund in case of special difficulties, provided that they had worked for the bank for more than 10 years. All in all, these measures are necessary for enhancing our cohesiveness, where our core competitiveness lies.

What should China Construction Bank be?

It should be a first-class commercial bank that can provide the best services to

its customers, create the most value for its shareholders, and have a first-class staff and products. This is my vision, which is shared by all our staff. We once put forward a slogan in 1996 that China Construction Bank builds modern life. This slogan showed that we were true builders. This is one of the core pieces of our brand.

With the deepening of the restructuring in China, leaders of Chinese enterprises, whether privately owned or state owned, are playing a more and more important and obvious role in the development of those enterprises, be it positive or negative. The credibility of the leader as a person becomes closely connected with the credibility of his enterprise. You took the position as the chairman of China Construction Bank Corporation at its grave conjuncture of reform. What responsibilities do you feel you have, and what is the biggest challenge you have to face?

My most important responsibility is to transform China Construction Bank Corporation to a joint-stock company, which means a substantial change from a state-run specialized bank to a modern commercial bank. This is not a superficial change. And my biggest challenge is to convert the bank's old concept to a new one that focuses on customers and that is oriented on the market. In addition, I want the staff to truly apply the new concept to their behavior and working procedures. I think that is most fundamental.

Having seen your biography, it seems that you are a fortunate person. Although a herdsman in Inner Mongolia at first, you became one of the first youths to pass the examination and become a university student after China resumed its college-entrance examination system. Then you obtained your PhD, went to Oxford University as a visiting scholar, and became a government official, holding very important positions in China's reform and opening-up process. You were a vice province gover-

nor at the young age of 42. Now, you are a banker. How can you be so successful? What connections exist between your success and the dramatic changes in China?

We are really a group of lucky people compared to our ancestors, our father generation, and many of our foreign friends, because we live in China's best period in several hundred years, with a stable society, an ever-developing economy, and an improving quality of life. In the past 26 years, China's annual economic growth rate reached 9.4 percent, a speed that a country can seldom reach. However, from another perspective, things are not always moving smoothly for us. We experienced the culture revolution and the political movements that brought to us great pains. We also experienced many ups and downs and policy changes in the economic work, reform work, and macro-economic management work that we are engaged in, which also brought to us heavy costs. If I have made some accomplishments, I would like to contribute them to the times I am living in, which are full of opportunities. However, from my personal perspective, I think they may come from my unceasing pursuit of my dream.

How did your experiences shape you as a person? And how do they build up your unique ability and characteristics as a leader, so that you can better serve the enterprise you lead?

I really experienced many kinds of jobs. I worked nearly four years in the pastureland, at the very beginning. At that time, I was once leader of a production team, a position that was very conducive to my growing up, because I came from the very bottom of the society, found out the bitterness and happiness in people's lives, and knew their hardships. In that position, I grasped the very opportunity to observe and experience the basic unit in the economy from a terrific perspective, trying to understand feelings of those common people and a leader. Of course there is a huge difference between raising stock and running a modern bank. The former is a simple means of production, which cannot make a person a banker. However, the hard life it brought about can definitely temper a person and be very helpful to one's growing up. I was tempered to be accustomed to loneliness and to work and harvest in the vast Gobi Desert, and study besides. The culture revolution was underway at that time, so I could only depend on self-study. I read many books during that period of time, working on the pastureland. After that, I took the college entrance examination and was admitted at Nankai University, a first-class university in China. It was a dream for all of our generation to return to college. As a result, only one out of 20 people was

enrolled. My study in Nankai University proved to be vital to my future development. So you can imagine what an excitement it was to be offered such an opportunity to take the examination and be enrolled soon after the culture revolution was over.

Why did you choose to study philosophy at that time?

I always want to understand the nature of the world. I think philosophy can teach people the methodology of doing things. A good command of philosophy would be some help in learning other things. I taught myself economics and other courses, while attending philosophy courses, in the hope that I could address some more realistic issues like the people's food and clothing. With a broader social and academic view coming from my experiences, it was easier for me to catch the vital parts in the textbooks and not to be confused by superficial questions of wording.

In 1981, I was admitted by the Chinese Academy of Social Sciences as a post-graduate student, majoring in comparative socialist systems, which had greatly enlightened me about the flaws in the planned economy and the problems in China's reform process from a worldwide perspective. Generally speaking, the most important benefits my past experiences have brought to me are the integration of knowledge and practices, and a close linkage between theories learned and realities experienced, which are of great help to my work.

Your macro-thinking methodology was mastered through learning philosophy. That, together with your concrete experiences gained in your management work, equips you with profound management experiences and a strong strategic sense. Do you think your experiences in being a cowboy were helpful in forming your awareness of innovation?

I think it is really important to master the basic methodology. For example, I always stress that things are closely related to each other, and not a single matter is totally isolated, be it macro things, micro things, the national economy, or the development of an enterprise. We should always bear in mind this point and look at things as an organic whole. Why do we make mistakes of this kind or that kind? I think it is, to a large extent, because we look at issues in an isolated and partial manner, which leads to mistakes and missing direction.

As far as my work is concerned, I was engaged in macro issues in the past by designing and researching the plan for the country's economic restructuring, while in the China Construction Bank, I mainly deal with micro matters now. Although they are different, I treat them with one basic methodology. That is why I stress a coordinated implementation of

the reform in the Construction Bank and believe that only through making advancement in the whole can we achieve real effects. Another methodology is that problems are resolved in a process. A process is required for things to develop. Without the process, a problem would not be solved. So we must set up a process. Therefore, it is very important for us to conform to the trend of the current times and make the best of a situation, and not pursue a quick solution out of subjective thinking. The best teacher is real life, not any so-called theory, book, or convention. We must gather experiences from our practices and sum them up according to failures and successes. These are the most fundamental principles applicable for the past and the present.

People living on grassland usually pay special attention to the experiences of the old, but deal with things with much flexibility. Because the weather changes at any moment, so do the conditions of the stock. A horse rider has tamed many horses. Though there are common elements in these horses, each horse is unique with its own characteristics. In fact, this is true for all animals and human beings; each individual is different from everyone else. It wouldn't work without universality, and neither would it work without specialty. This is what the grassland taught me.


How do you characterize yourself as a leader?

I think the most important qualities for a leader are pragmatism, frankness, truth seeking, and understanding others.

Your frequent changes in your role are a sharp contrast with your young life. It's often said that "one may not have a life-long job, but may have a life-long career." What career did you pursue in your life?

It is both easy and hard to answer this question. I hope I can do something concrete for the people, so that they can be happier materially and spiritually.

You are in your most energetic years, with so many experiences and titles. If all these titles were taken away and only your name Guo Shuqing were left on your business card, what information can we read from your name, as a personal brand, to know you as a person?

A man, a Chinese, a Chinese man. I have tried to be a qualified family member, a good father, husband, and friend. In addition, I am an idealist, because I think we are still living in an ideal age, and it is the common feature of the Chinese of my generation to pursue our dream. Because of our social experiences, as well as the hardships and difficulties that our country has suffered, I am also a realist. To sum it up, I am a rather pragmatic idealist, or an idealistic realist. 



Connecting China's Opportunities to the World

An Interview with Liu Tinghuan,
Chairman, China UnionPay, Shanghai



Liu Tinghuan

EDITORS' NOTE A graduate of Liaoning Institute of Finance and Economics, Liu Tinghuan began his career with the People's Bank of China in 1966 as a credit officer, rising through the ranks to serve as deputy manager, senior manager, and director general of the Dalian branch in 1981. In 1985, Liu was named executive director and vice president of the Industrial and Commercial Bank of China, and later served, from 1996 to 1999, as that institution's chairman and president. He returned to the People's Bank of China in 2000, taking up his current post.

COMPANY BRIEF Based in Shanghai and licensed by the People's Bank of China, China UnionPay (CUP) is a shareholding financial-services institution established through capital contributions by more than 80 domestic financial institutions, with registered capital of RMB1.65 billion. Incorporated on March 26, 2002, CUP (www.chinaunionpay.com) aims to establish and operate a national bankcard network, to realize the interoperation of bankcards nationwide, and further the development of China's bankcard industry.

How was CUP formed, and how did it prosper in the market, as China's economy rapidly developed?

A brief review of the development of China's bankcard industry is unavoidable when we talk about the formation of CUP. Since the mid '80s, the bankcard industry in China has experienced three phases of development. From 1985 to 1993, Chinese banks issued their own individual bankcards. From 1994 to 2001, they established their bankcard information-switch centers in big cities, gradually enabled inter-bank transactions in some cities, and moved toward inter-bank transactions between different cities. From 2002 to the present, Chinese bankcards gradually realized nationwide interoperation.

Due to the dramatic increase in the number of bankcards and transactions, the switch centers sponsored by different banks in different cities were unable to meet cardholders' needs in terms of their transaction-success rate, processing efficiency, new business development, etc. Thus, with the support of the People's Bank of China, CUP was formed through capital contributions by more than 80 domestic financial institutions, and now it has taken in more than 160 member banks. After its establishment, CUP actively promoted the unification of bankcard operating regulations, the standardization of the terminals, and also inter-bank bankcard transactions. In 2003, we basically achieved our objective of most Chinese terminals, regardless of location or financial institution, being able to accept domestic bankcards. In the three years following CUP's formation, China issued more than 800 million bankcards – 400 million of which carry the CUP logo – with an increase of more than 100 million per year. The bankcard transaction amount also increased from RMB4.5 trillion in 2000 to RMB26.5 trillion in 2004, and the percentage of total domestic retail sales of consumer goods paid for via bankcards grew from 2.1 percent in 2000 to 6 percent in 2004.

CUP's ability to develop so speedily is firmly rooted in the needs of the country and its consumers. Its steady growth is based on the support and cooperation of the government and financial institutions, and its development could not have been achieved without the consumers' and merchants' recognition and acceptance.

The development of the bankcard industry is a social project that brings benefits to Chinese citizens and the country as a whole. It concerns the core competitiveness of China's banking industry, China's financial security, and its financial development strategy. In addition, it also has a great influence on the improvement of Chinese consumers' quality of life.

Up to now, how has the bankcard market been characterized?

First, China is one of the countries issuing the most bankcards, at 827 million as of March 2005, and 96 percent of them – 794 million – are debit cards. Meanwhile, deposits via debit cards have reached RMB1.7 trillion, taking 37.5 percent of Chinese residents' current deposits. Second, market acceptance has developed rapidly, with new payment channels forming continuously. Payments made by cellular phones, the Internet, and fixed-line telephones, as well as inter-bank ATM fund transfers etc., are becoming more and more popular among Chinese cardholders. In 2004, RMB180 million in payments were made by cellular phone in China, and by the end of 2004, the number of merchants accepting bankcard payments in China had exceeded 300,000, and there were nearly 450,000 point-of-sale terminals and 70,000 ATM devices across the country. Third, due to the influence of an increasingly globalized economy, CUP is speeding up the exploration of international markets. CUP has initiated card services in Hong Kong, Macao, the Republic of Korea, Thailand, and Singapore. Fourth, the development framework of the industry and a relatively complete bankcard payment chain have taken shape, which covers card issuing, acquiring, information switch, specialized services, and devices manufacturing.

As the biggest inter-bank bankcard information-switch network operator, what are the main responsibilities of CUP?

CUP has more than 2,000 employees now, and its branches are found all over China. CUP is trying to develop its presence in overseas markets. In 2004, CUP had completed 1.8 billion inter-bank

bankcard transactions, totaling RMB685.8 billion. CUP's main responsibilities are to establish and operate the inter-bank bankcard information-switch networks, promote market acceptance, enable bankcard interoperability, formulate operating regulations and technical standards for inter-bank bankcard transactions, mediate and arbitrate inter-bank transaction disputes, operate and manage the CUP brand, create value for member banks, provide facilities for cardholders, and impel the development of China's bankcard industry.

What does brand building mean to CUP?

The brand is undoubtedly an important factor in growing a more competitive enterprise. For an enterprise, the presence of a brand and standards determines whether it can formulate industrial regulations and influence industrial development. The establishment of the CUP brand, as well as our own standards with independent intellectual-property rights, will help us narrow the gap between ourselves and other renowned international bankcard service providers. Building the brand seems to be an especially urgent task, vis-à-vis the globalization of the economy. In addition, our brand can upgrade CUP's image. The success of a bankcard brand lies mostly in the service it can provide to banks and also to cardholders. Thus, CUP should work hard to provide faster, safer, and more convenient bankcard payment services, in order to build its brand.

Certainly, the building of an independent brand also benefits the development of the Chinese economy. Premier Wen Jiabao said that renowned brands symbolize not only the economic strength and market reputation of an enterprise, but also the economic power of a country. Currently, the global bankcard market is dominated by several big brands. Most of the 827 million bankcards issued in China adopt their standards and carry their logos. Without our own bankcard brand, China's bankcard industry would fall to the bottom of the world bankcard industrial system and lose its independence and initiative for development.

What efforts has CUP made in building its brand?

In its first year of operation, CUP issued CUP-logo cards and set up inter-bank operation networks in more than 300 cities. In addition, CUP enabled intra-city inter-bank transactions in more than 100 cities, and inter-city inter-bank transactions among over 40 cities. These accomplishments provided a better customer experience and earned CUP a good reputation, laying foundations for CUP brand building. In 2003, CUP focused on improving bankcard acceptance in order to upgrade the quality of inter-bank transactions, to facilitate card usage, and also to improve CUP's social image. In terms of brand building, 2004 was a crucial year for CUP, as we made – with the support of various par-

ties – huge progress in exploring the CUP card's acceptance in the international market. Additionally, the new, advanced information-switch system started operation at the end of 2004, forming a solid technical foundation for CUP brand building.

What are CUP's international strategies?

We are confident about the development of the CUP brand. Over the past 20 years, a firm foundation has formed for China's bankcard industry. We have not only realized the nationwide interoperability of bankcards, but have also created a marketized and specialized mechanism for industry development, which is more and more mature. In addition, we established an integrated payment chain and a bankcard industrial system.

Also, in view of the rapid development of the Chinese economy, the increase in Chinese citizens' income, and the growing number of cardholders, the bankcard industry of the country is expected to boom. Meanwhile, the acceleration of China's opening process would lead to the increase in people's needs for cross-border bankcard transactions, underpinning the internationalization of this Chinese bankcard brand.

Finally, opening up, cooperation, and win-win partnerships are the major trends for the development of the international bankcard industry. The bankcard, as a tool for economic exchanges, will play an important role in economic internationalization. China is opening to the world, and the world is also opening to China's bankcard market. Although some big international bankcard brands have established their presence in the global market, the cooperation within the industry will still be strengthened in the future.

What are CUP's plans for future development?

The next few years are quite important for CUP. We aim to make CUP one of the major bankcard brands in the world by 2010 and to grow into an internationally competitive inter-bank e-payment company. In this regard, CUP will focus on the following areas. First, we will consolidate CUP bankcard services. Based on extending acceptance areas for CUP cards, improving transaction quality, and promoting customer satisfaction, we will expedite the innovation of services and products, and provide our cardholders with special and more convenient payment services.

Second, we will accelerate the internationalization process. CUP will cooperate with foreign institutions so that CUP cards will be accepted in the key markets of Asia Pacific, America, and Europe. In the coming two years, we will strive to have CUP cards accepted in the countries and regions where Chinese citizens travel most frequently. Third, we will promote CUP-standard cards, which comply with international specifications and with our own independent intellectual-property

rights. We believe this is crucial for building the CUP brand. To date, 145 members have applied for a CUP bank identification number. More than 80 banks have already issued CUP-standard cards, including China Construction Bank, Bank of Communications, and China Merchants Bank. Additionally, more than 10 issuers in Hong Kong and Macao have begun to issue CUP-standard cards, with more to follow in the Republic of Korea, Thailand, and Singapore. This is definitely a great boost to the promotion of the CUP brand.


When China fully opens its financial market at the end of 2006, CUP will face heated competition with foreign brands. How will CUP cope with the challenge?

In a unified global economy, competition is unavoidable. China, as an equal participant in the global market, is ready for the competition. CUP sees the pending competition as a development opportunity and will use it to create more win-win partnerships. We aim to internationalize our operations, rules, services, and employees. We will complete CUP's internationalization process by bringing China's opportunities to the world.

How will you bring "China's opportunities to the world"?

CUP will accelerate its overseas-expansion process so that Chinese people can tour the world with a single CUP card. Twenty million Chinese people tour abroad every year, spending about \$1,200 per person. That would generate \$24 billion in bankcard transactions. The acceptance of CUP cards in international markets would stimulate effectively CUP cardholders' overseas spending, propel the economies in those countries, and enable their merchants to benefit from China's economic development. CUP is striving to complete its overseas bankcard-acceptance network within two years. We anticipate that CUP cards will be accepted in 10 countries in Asia Pacific, Europe, and America by then.

CUP will also continually promote its national market to provide a convenient settlement network for customers. As one of the biggest tourist and investment markets in the world, China is attracting more and more international institutions. CUP will actively promote the issuance of CUP cards in overseas markets to form an interactive environment for card issuance and acceptance, which would accelerate the brand-building process and establishment of CUP standards in the global market.

In the era of economic integration, CUP's strategy will always follow the win-win principle of "common cause, mutual development." CUP's internationalization strategy aims for the global market, while also providing a chance for international players to enter the Chinese market. China's opportunities belong to the world, and so does CUP. 


BINHAI New Coastal Area



Along with the growth of China's economy, the development of special regions has become a required objective for China's entry into the global economic system. It is one of the most important driving forces of the implementation of the "Branding China" strategy.

The Pearl River Delta, the Yangtze River Delta, and the Bohai Rim are the pioneers of the development of the eastern region of China. With the acceleration of the coordinated economic development in China, promoting the economic development of northeastern, northwestern, and northern China has become the key focus for the development of the nation. The Bohai Rim is the most powerful region to impel the development of those three regions. Thus, the Bohai Rim should become the third economic boom area, following the Pearl River Delta and the Yangtze River Delta.

Our focus in this issue is the Binhai New

Coastal Area, one of the rising stars of the Bohai Rim. The Binhai New Coastal Area is located in the eastern part of Tianjin, covering an area of 2,270 square kilometers and with a population of 1.3 million. It is the central area of northeastern Asia and the eastern starting point of the continental bridge from Asia to Europe. In 1994, the GDP of the Binhai New Coastal Area was only RMB11.2 billion, which was 45 percent of the GDP of Pudong. In 2004, the area's GDP rose to RMB125 billion, which was 69.8 percent of Pudong's GDP, and the average annual GDP of the Binhai New Coastal Area increased at a rate of 3 to 4 percent of Pudong's GDP. Now, the Binhai New Coastal Area has been brought into the integrative development plan for the whole nation, and it has become the new engine for the development of the regional economy, following Shenzhen and Pudong. 

China's Third Economic Boom Region - Binhai

An Interview with Pi Qiansheng, Director,
Administrative Committee, Binhai New Coastal Area, Tianjin



Pi Qiansheng

EDITORS' NOTE With a Ph.D. in economics from Nankai University, Pi Qiansheng spent many years working with the Tianjin Economic-Technological Development Area (TEDA) and the Tianjin Foreign Economic and Trade Committee, which he led from 1998 to 2000. Since that time, he has served as a member of the standing committee of the Municipal Party Committee, as secretary of TEDA and the Tianjin Port Free Trade Zone Work Committee, and in his current position, as director of the Administrative Committee of the Tianjin Binhai New Coastal Area.

Please give a brief introduction to the development of the Binhai New Coastal Area

The Binhai New Coastal Area is located in the eastern part of Tianjin, which is composed of the Tianjin port, a development area, a bonded area composed of three function areas, as well as the Tanggu, Hanggu, and Dagang administrative areas. The area of the Binhai New Coastal Area is 2,270 square kilometers, and the population is 1.3 million. Since the opening up began in 1984, numerous changes have taken place in this area. With rapid economic development and a huge amount of foreign investment, the Binhai New Coastal Area has changed from a desolate region to a new export-

oriented economic region. Now, it is one of the fastest-developed regions in north-eastern China.

In 2004, the gross domestic product of the Binhai New Coastal Area peaked at RMB125 billion, with an annual growth rate of 20.7 percent. Gross industrial output was RMB303.1 billion, with an annual growth rate of 27.3 percent. The export volume totaled RMB13.7 billion, an increase of 35 percent on a year-on-year basis. The cumulative total of fixed-assets investment in the past 11 years is RMB266.4 billion and \$14.7 billion of foreign investments were utilized. In addition, there were a lot of foreign-funded enterprises authorized, and the total number reached 5,855.

The Binhai New Coastal Area is developing as an export-oriented economy. What is the current situation with regard to foreign investment in Binhai?

The Binhai New Coastal Area has become one of the most active regions in China, attracting a large amount of foreign investment. By 2004, fixed-assets investment in the Binhai New Coastal Area had reached RMB266.4 billion, and the actual utilization of foreign investment was RMB16.4 billion. Sixty-nine *Fortune* 500, multinational companies from 10 different countries have established 152 branches in the area, including Motorola, IBM, Coca-Cola, Canon, Mitsubishi, Mitsui, Daiei, Samsung, Hyundai, Volkswagen, etc. Most of these enterprises are joint-venture companies, operating in the industries of electronic communication, petroleum extraction and processing, marine chemistry, modern metallurgy, machine manufacture, biochemistry, food processing, and others.

Over the past 10 years, Binhai has made huge progress. What are the unique aspects of Binhai, in your opinion?

The Binhai New Coastal Area is located at the center of the most active developing area of northeastern Asia, and it is also the eastern starting point of the continental bridge from Asia to Europe. The advantage of its location is quite obvious. Second, the transportation network by air,

land, and ocean is very advanced. The resources in Binhai are abundant. There are 1,199 square kilometers of uncultivated lands, tidal flat areas, and some low, productive farmlands that are ready to be developed. The total amount of the petroleum resources in the Bohai area is 9.8 billion tons, with 3.2 billion proven tons of petroleum in place and 200 billion cubic meters of natural gas.

The industrial foundation of the Binhai New Coastal Area is quite solid. The Binhai New Coastal Area is an important base for petroleum extraction and processing. The electronic-information industry and marine-chemistry industry are in leading positions in China. There are also a number of functional economic zones in Binhai, including the national-level development area, the bonded area, the maritime high-tech zone, and the export-processing zone. The Binhai New Coastal Area has already adopted the government's regulatory system to adapt to the rapid development of the economy and the marketing-economy mechanism, which has helped the region to accumulate lots of experience in utilizing international and national resources and the markets as well. Moreover, the Binhai New Coastal Area has also trained a group of people with a solid background in international advanced technology and modern management.

The media always emphasizes that the Binhai New Coastal Area's influence is not restricted to Tianjin. What is your view?

The Binhai New Coastal Area has developed from a regional special economic zone to a national-level new region. More than 10 years ago, the Binhai New Coastal Area was the pioneer of economic development in Tianjin, and its gross domestic product percentage, in comparison with the whole gross domestic product of Tianjin, increased year by year. In 2004, it accounted for more than 42.6 percent of the whole gross domestic product of Tianjin. In addition, regional gross domestic product increased, from RMB11.2 billion in 1993 to RMB125 billion in 2004, with an average annual increase

of 20.7 percent. Therefore, the Binhai New Coastal Area has become one of the most important driving forces for the economic development of the Bohai Rim.

Compared with the fast development of southern China, the economic development of northern China is falling behind. One of the main reasons for this situation is the lack of a core area to promote the development of the whole region. Thus, in June 2005, during an inspection tour around Tianjin, Premier Wen Jiabao called for the further development of the Binhai New Coastal Area to boost the growth of the Bohai Rim, and even the whole country. Its previous achievements and its potential for future development means that Binhai's influence is no longer restricted to Tianjin. Instead, Binhai will hold a more important responsibility; namely, to provide the engine power for the development of the Bohai Rim. This notion is based on the development strategy for the whole nation. Binhai New Coastal Area owns numerous land resources, petroleum and gas resources, and marine resources. Lots of people there are highly educated, providing ideal human resources for the development of the region. After more than 10 years' development, the advantages of Binhai just match the state's strategic purpose for coordinating the economic development of southern and northern China.

Beijing and Tianjin are quite close, and both of them are municipalities. The Binhai New Coastal Area is based in Tianjin, and serves the Bohai Rim. How will it manage its relationship with Beijing in order to achieve coordinated development?

For the most effective development of the economy in the Bohai Rim, we should orient the development of Beijing and Tianjin from different angles. For example, Beijing could focus on the development of research centers and head-quarter offices, while Tianjin could concentrate on the development of modern processing and manufacturing businesses. Beijing and Tianjin should combine their own advantages to develop coordinately.

How will the Binhai New Coastal Area develop to become the new boom region?

The Binhai New Coastal Area was designed according to the T type of development plan, based on one axis, one region, and one core, in order to serve the Bohai Rim. One axis refers to the development axis of the Beijing-Tianjin-Tanggu express highway and the high-tech industry that was built along the lower reaches of the Hai River. There are three functional regions, including a high-tech industry region, a modern metallurgy region along the lower reaches of Hai River, and a producing area around the airport.

One region refers to the marine eco-

nomics-development region along the coastline and the Binhai road. There are three functional regions: the material-circulation region, the chemical-industry region, and the travel region on the coast. One core refers to the construction of a modern seaside city that is suitable for living. It is the core area of the Binhai New Coastal Area, and it was designed for developing finance, commerce, information, culture, service, and other industries. We are aiming to build it as an exemplary region of a modern international city.

These new functions would help Binhai to become an important economic region that could not only serve the Bohai Rim but also exert influence over north-eastern Asia.

Pudong comes to people's minds when special economic regions in China are mentioned. However, the development of Binhai is quite different from that of Pudong. What is the difference?

Pudong is located at the eastern gate of Shanghai, and similar to Binhai, it is an eastern city on the coast. The development of Pudong contributed to the boom of the Yangtze River Delta and the whole region around the Yangtze River. The exploitation of the Binhai New Coastal Area could impel the development of the entire Bohai Rim region. Although there are many similarities between these two regions, differences also exist.

First, the external conditions during the initial development periods of Pudong and Binhai were different. In the '90s, the development of Pudong was in the middle of the opening up of China. The opening-up experiences of Pudong tell us that the opening up is not just about attracting foreign investment and "going global." It is also about the elevation of overall standards. We shouldn't focus only on economic growth; we should also give enough attention to environmental protection and the development of other related industries, in order to fulfill the responsibility of building a harmonious society.

Second, the foundations of Pudong and Binhai are different. Pudong was farmland with no industrial foundation before the exploitation. But today's Binhai is founded on more than 10 years' development. So its starting point for future development is higher than Pudong, and the manner of development is also different.

Third, the state's requirements for these two regions are different. Pudong was designed to promote the economic center, while the Binhai New Coastal Area was designed to facilitate the development of the whole Bohai Rim region, and to contribute to the development of the northern economy in China.


The Binhai New Coastal Area is one of the components of the nation's development strategy. Will it be supported by state policy, just as Pudong was?

The answer should be affirmative. The government has made the development of the Binhai New Coastal Area an important component of the state's regional economic-development strategy. The role of the Binhai New Coastal Area as the driving force for the economic development of Tianjin, the Bohai Rim, and even northern China is emphasized. Thus, there is no doubt that the government will support the development of the Binhai New Coastal Area through various policies. Premier Wen Jiabao has mentioned that the Binhai New Coastal Area has the right to conduct a comprehensive reform experiment, which will prove that the Binhai New Coastal Area will hold the same position as Pudong and Shenzhen. We believe that, in the near future, the Binhai New Coastal Area will present a new image to all the Chinese people.

How do you envisage the Binhai New Coastal Area in five years' time?

This is a crucial period for the development of the Binhai New Coastal Area. The Binhai New Coastal Area should be built to be a modern manufacturing base and an international material-circulation center. It should be based in Beijing-Tianjin-Hebei, provide services to the Bohai Rim, and exert influence over northeastern, northwestern, and northern China. It should construct transportation advantages, technology-research advantages, information-service advantages, and also human-resource advantages.

There are four directions for the general development of the region within an area of 2,270 square kilometers: the modern manufacturing, researching, and transforming base; the international material-circulation center, the symbolic region of the modern international city; and a new seaside city that is suitable for living. Based on our estimates, by 2010, the GDP of Binhai New Coastal Area could reach RMB320 billion, the population could exceed 1.8 million, and the industrial production value could achieve RMB0.75 trillion, which equals the current situation in Tianjin. By 2020, GDP could reach RMB1 trillion, and the industrial production value could achieve RMB 2.4 trillion, which is similar to that of a big province in China.

People should use a brand-new vision to perceive the development of the Binhai New Coastal Area. To change the concept of "Tianjin's Binhai," people need to understand the Binhai New Coastal Area's orientation and development plan from the angle of the development of the whole Bohai Rim region and northeastern Asia. With this concept in mind, we will better grasp the opportunity for the development of the Binhai New Coastal Area and fulfill the responsibility that is endowed by the party and the state. Binhai belongs to China; Binhai belongs to the world. 



BINHAI

NEW COASTAL AREA

Investing in Binhai

An Interview with Peter Robinson, President and Chief Executive Officer, United States Council for International Business (USCIB), New York



Peter Robinson

EDITORS' NOTE After over 20 years' experience at USCIB, Peter Robinson was appointed the organization's 15th president in April 2005. Robinson holds a bachelor's degree in international relations and German from the University of Delaware and a master's degree from Columbia University's School of International Affairs. Robinson attended the August 2005 "China Top 500 Companies" conference in Tianjin.

COUNCIL BRIEF The United States Council for International Business (USCIB) is a New York-based business association representing more than 300 U.S. corporations, professional firms, and business associations, many with substantial trade and investment interests in China. Founded in 1945, USCIB facilitates international trade and investment with three key tools: influencing policy and standards development as the voice of U.S. business, providing access to international commercial arbitration to resolve disputes, and issuing and guaranteeing ATA Carnets for the temporary duty-free importation of many goods. USCIB is the American affiliate of the International Chamber of Commerce-ICC, the International Organization of Employers-IOE, and the Business and Industry Advisory Committee to the OECD.

Based on your communication with

USCIB member companies, how do they evaluate the general investment situation in China?

China is a valued trading partner and destination for investment by USCIB member companies. USCIB actively supported the granting of permanent normal trade-relations status to China, and welcomed its entry into the World Trade Organization [WTO]. We appreciate the significant efforts China has made to meet its obligations under the terms of its accession agreement. There remain, of course, general compliance concerns. Among the factors cited by our members as affecting their investment decisions are a lack of transparency in rulemaking, non-national treatment, and lax enforcement of intellectual-property rights.

What are USCIB member companies' experiences in Binhai?

Several USCIB members have invested recently in the Binhai New Coastal Area and the Tianjin Economic Development Area [TEDA]. They report being impressed not only with the services provided in the area, but also with its physical appearance, being described by one member as "well designed, well planned, and well laid out."

Also, local authorities are felt to be responsive in a timely manner. This suggests that Binhai and TEDA provide an investor with the ability to have a smooth operation, and is indicative of a proactive focus by the authorities on the needs and expectation of businesses entering the area.

Based on your experiences in collaborating with your member companies, what are the advantages of Binhai in terms of attracting foreign investment?

There are many aspects foreign businesses consider when assessing their options for investment locations. Besides the role of local authorities and the design and layout of the environment, Binhai benefits also from its geographical location – its proximity to Beijing – which facilitates operations with many corporations' head offices in China.

The infrastructure in Binhai is also a

significant element: the port, roads, urban public transport, and rail and air connections are all world class. U.S. business welcomes the planned expansion of Tianjin airport for passenger as well as cargo traffic, by the 2008 Olympics.

Of equal importance to the physical resources are the human resources in Binhai. The higher-education institutions and the large numbers of graduates joining the workforce each year enable enterprises to grow the higher-value-added aspects of their business in China. One USCIB member, recently returned to the U.S. from the Binhai site, commented on the "palpable enthusiasm to succeed" amongst the local staff.

What do you think are the barriers that prevent foreign enterprises from increasing their investments in China? What are your suggestions to improve the situation?

One of the biggest barriers to increased investment, and to foreign corporations' incorporation of higher-value-added processes for all regions in China, is continued concern about intellectual-property-right protection. The issue of counterfeiting and piracy touches every industry in the USCIB membership. The IPR legislation introduced since China's accession to the WTO is positive, but implementation of the laws is less than complete, with low penalties, limited enforcement, and a lack of transparency in the administrative and criminal enforcement. These concerns are common to both USCIB and Chinese business interests, as counterfeit and pirated goods harm every successful business, regardless of nationality.

This issue is not specific to Binhai, but it is the single biggest concern of every foreign business operating in China today. The coastal economic zones of China have, in many ways, been test beds and forerunners for China as a nation. From my personal discussions with Tianjin Binhai New Coastal Area Director Pi Qiansheng, I am impressed to hear about what has already been done and to see the commitment to further progress in the future. ■

Believe in China, Believe in Binhai

Motorola

Toyota



Motorola Inc. is a Fortune 100 global communications leader that provides seamless mobility products and solutions across broadband, embedded systems, and wireless networks. Motorola came to China in 1987, when it opened a representative of-

fice in Beijing. In 1992, Motorola (China) Electronics Ltd. was established in Tianjin Economic-Technological Development Area (TEDA) of Binhai, a major manufacturing base where Motorola produces mobile phones, two-way radios, wireless-communications equipment, and automobile electronics for the Chinese and global markets.

Motorola established its first plant in TEDA in 1992, and it is now one of the biggest manufacturing sites for Motorola globally. It has more than 9,000 employees. Motorola's business in Tianjin includes mobile devices (handsets), networks (mobile infrastructure), and government- and enterprise-mobility solutions (two-way radio and auto electronics). The company's investment in Tianjin is about \$3 billion. Simon Leung is the chairman of Motorola (China) Electronics, and Ruy Bin Kao is the president.

In 2004, sales of Motorola (China) Electronics reached about \$7.8 billion, and exports reached \$5.1 billion. International procurement reached \$1.8 billion. Motorola and Tianjin have an unshakeable win-win partnership.

Motorola chose Tianjin because there is an easy and effective transportation logistics system, including Tianjin and Beijing international airports, Tianjin Port, the Jingjintang Expressway, and the railway. Another factor was that Tianjin, as a traditional industrial city, has a strong industrial base for supplying Motorola with quality components and services. Finally, Tianjin has 28 universities, including Nankai and Tianjin Universities, and more than 128 science and research institutes, so it can provide qualified and talented research and development support to Motorola's business in Tianjin.

The local government and bureaucratic systems are transparent, effective, and very businesslike. Motorola is happy to work with the TEDA government. This is a key factor in the company's success in China. Additionally, Motorola is excited about Premier Wen Jiabao's comments on developing Binhai New Coastal Area. This will provide great opportunities for the enterprises in this region.

Besides handsets and mobile-communications networks, Motorola will develop three new and growing businesses in China: auto electronics, digital trunking systems (social emergency response systems), and home access. ■

Toyota Motor Corporation was founded in 1937, and operates in China through joint-venture enterprises cosponsored by the China FAW Group Corporation in Tianjin, Changchun, and Chengdu, and by the Guangzhou Automobile Corporation in Guangzhou. Toyota actively exchanges information on automobile technology and related policies with China, and also imparts knowledge about the Toyota production system (TPS), intelligent transportation system (ITS), and other issues to Chinese colleagues.

The Tianjin Faw Toyota Motor Co. Ltd. was founded in 2000, and it changed its name at the end of 2003. Its original name was Tianjin Toyota Motor Co. Ltd. Its registered capital is \$400 million, and the investment

percentages from the China FAW Group Corporation, the Tianjin Faw Xiali Automobile Co. Ltd., Toyota Motor Corporation, and Toyota Motor (China) Investment Co. Ltd. are 20 percent, 30 percent, 40 percent, and 10 percent respectively. The chairman of the corporation is Zhu Yanfeng and the president is Shozo Takemoto, and there are 4,600 employees working for the company. Currently, the car types that can be manufactured by Tianjin Faw Toyota Motor Co. Ltd. include the Vios, Corolla, and Crown, with an annual production capability of 220,000.

The cooperation between Toyota and FAW is guided by a close, cooperative relationship and system. The companies utilize their respective advantages, and push the corporation forward smoothly. Tianjin Faw Toyota Motor Co. Ltd. began to manufacture the Vios in 2002, the Corolla in 2004, and the Crown in March 2005, in the new factory in TEDA. The Tianjin Faw Motor Company is now preparing for the manufacture of the Reiz, which will roll off the assembly line in October 2005. Everything is on the right track now.

Toyota chose TEDA because it is a national-level development area with more than 10 years' history. Moreover, its infrastructure and geographical location as a port area is an advantage in terms of attracting investment. When Toyota did research about the Tianjin project, Tianjin's government recommended TEDA as the ideal place. The government of Tianjin has provided full-scale support to Tianjin Faw Toyota Motor Co. Ltd., and as a member of the city, Tianjin Faw Toyota Motor Co. Ltd. is working on making more of a contribution to Tianjin.

TEDA plays a leading role in the development of the Bohai Rim. Tianjin has the geographic advantage of being the port gateway to Beijing. The Chinese government emphasizes the development of this area, and Tianjin Faw Toyota Motor Co. Ltd. is looking forward to the improvement of the transportation system to enable more efficient cooperation. ■



Binhai's Environments

Opportunities in Binhai

An Interview with Xiao Jincheng, Vice Director, Institute of Spatial Planning and Regional Economy (ISPRES), National Development and Reform Commission (NDRC), Beijing

An Interview with Ji Renjun, Director, China Regional Economy Institute (CREI), Research Institute of Economics, Nankai University, Tianjin



Xiao Jincheng

EDITORS' NOTE A graduate of the Liaoning Institute of Finance and Economics, Xiao Jincheng has served as vice director of the ISPRES, NDRC, since April 2000. He is also an advisor for Ph.D. candidates at the Chinese Academy of Social Sciences, a guest professor of the Renmin University of China, and the standing director and deputy secretary-general of the Association of Regional Economics of China.



Ji Renjun

EDITORS' NOTE Ji Renjun is a specialist in regional economics and the director of CREI, based at the Research Institute of Economics at Nankai University in Tianjin. He additionally serves as vice director-general of the Geographical Society of China.

INSTITUTION BRIEF Founded in February 1990, the CREI is a national academic institution with responsibility for organizing research seminars on the theory and practical problems of regional economics.

INSTITUTION BRIEF ISPRES, NDRC, was founded in 1988 and is an academic organization at the departmental administrative level, derived from the Institute of Spatial Planning, Academy of Macroeconomic Research, NDRC. ISPRES develops programs launched mainly by the NDRC, and partly by the ministries of the State Council, local government, and enterprises. In addition, it coordinates with foreign and international counterparts.

How will the internal and external environments of the Binhai New Coastal Area contribute to the economic development of the entire Bohai Rim, extending to the entire north China region?

When we talk about the internal and external environments of the Binhai New Coastal Area development, we are referring to its rich human resources and advanced levels of research and development activities; its relatively strong economic power; its well-optimized industrial base; the rich resources that the vast hinterland possesses; and, of course, its enormous market potential. All these factors have provided a strong underpinning for the economic restructuring of the Bohai Rim.

Tianjin is an old industrial base in China and the most important economic center in the north, with various industrial sectors and a strong economic base. All industrial workers in Tianjin have finished elementary education. More than 85 percent of engineering and technical personnel have college diplomas. Neither the Pearl River Delta nor the Yangtze River Delta can be ahead of the Beijing-Tianjin zone in terms of natural and human resources and scientific-research predominance.

Do you have confidence in the future of the Binhai New Coastal Area?

The Binhai New Coastal Area is full of vigor and vitality and has great potential. It holds an important strategic position in the Bohai Rim. Encouraging the development and construction of the Binhai New Coastal Area will help bring about revitalization of the Bohai Rim area; strengthen interaction among the northern, central, and western regions of China; and accelerate more balanced economic development in China. With national support, the Binhai New Coastal Area will quickly rise to be the flagship of the Bohai Rim and north China. I believe that people who are familiar with the Binhai New Coastal Area have high hopes for its future. ■

Recently, the regional economies have become a focus of attention. What is the significance of regional economic cooperation in the current phase of China's development?

China, at the moment, is experiencing a period of rapid development. The country will benefit from the advantages of regional economic development that can break down the boundaries of the administrative division of regions, establish the market economy in the true sense of the words, speed up integration with the international economy, optimize and integrate resources, and eventually promote the development of the whole nation.

After China implemented the policy of reform and opening up, the economy made significant headway, particularly in the Pearl River Delta and the Yangtze River Delta, owing to drastic changes in concepts and systems. Compared with the south, the northern region seemed more conservative. As a result, its economic development lagged behind and could not meet the needs of national development. In order to reduce the gap, the government needed to find a region in the north that could function as a driving force. After an integrated survey of various areas in the north, the Bohai Rim region was selected as an ideal region, possessing all the necessary advantages.

China's economic growth zones tend to have core areas that drive development in each region. In your opinion, where is the core area pushing development in the Tianjin Economic-Technological Development Area [TEDA]?

The TEDA is set up with Beijing-Tianjin-Hebei at the center and the Liaodong peninsula and the Jiaodong peninsula as the two wings. Inside the Beijing-Tianjin-Hebei zone, Beijing and Tianjin possess the strongest economic power. It was a superb decision to select these two cities as the core of the Bohai Rim Economic Zone. They can undertake the development of the Bohai Rim as their mutual task, work in good cooperation and coordination, and become mutually complementary in bringing each other's economic advantages into full play. ■



A Global Ambassador for Chinese Movies

An Interview with Yan Xiaoming, President,
Movie Channel Program Center of China, Beijing



Yan Xiaoming

EDITORS' NOTE Yan Xiaoming is chairman of the China Film Group and president of China Movie Channel, in addition to his responsibilities as president of Movie Channel Program Center of China.

COMPANY BRIEF In January 1996, the Movie Channel Program Center of China officially launched China's first nationwide movie channel, CCTV6. With a daily prime-time average of 10 million viewers and 800 million total viewers, CCTV6 constantly rates as one of China's top three channels. The center now owns the domestic broadcast rights to more than 95 percent of Chinese films and holds international rights over most of them. Since 1999, the center has produced more than 100 TV movies each year, and has hosted or broadcast many national and international award ceremonies, concerts, and variety performances. The center has expanded its international service by launching the China Movie Channel (CMC) in North America. It also recently launched its domestic pay-TV channel, CHC (China Home Cinema), and its fourth channel aimed at IPTV subscribers in Hong Kong.

To many Westerners, Chinese state-owned media have been perceived as a government mouthpiece. How do you feel about this perception?

Some in the West believe that Chinese media, regardless of their format, are only a tool for propaganda. To be candid, we feel that the media have responsibilities beyond providing entertainment. Editorial biases exist among all media. So-called absolute freedom or objectivity does not exist. I am certain that, regardless of country or territory, irresponsible media and media workers are not something that the people would welcome.

We recognize the dual role of media orientation and social responsibility, while valuing the functions of public service and entertainment. The challenge is how to balance the two. At the China Movie Channel, specifically through our comprehensive broadcast media platform, we strive to present the world's top-quality films and the culture of movies to our large audience.

What causes foreign misconceptions, and how can they be corrected?

I think that, for the most part, these foreign misconceptions are caused by differences in cultural traditions and understanding, and the way in which ideas are expressed by different groups. We sincerely wish to have wide and extensive exchanges with counterparts around the world. I believe that people who come to China and have an opportunity to explore will be impressed by the openness within China. Let's take the China Movie Channel as an example. We broadcast 350 to 400 foreign movie titles each year. This large volume is not frequently matched by mainstream media in any other country in the world.

What have you done in order to establish a first-rate brand?

First, in order to establish a strong foundation we invested heavily in acquiring core assets – movie rights. We possess the exclusive long-term TV broadcasting rights of more than 95 percent of all Chinese movies. Moreover, in the last 10 years, we have imported more than 3,000 titles from abroad.

Second, we have prudently organized and invested in TV movies that are aired on our own channel. Since 1999, we have produced more than 100 TV movies per annum. Since last year, we have switched the majority of our productions

to the high-definition format. As of the end of June 2005, we have produced over 600 TV movies.

Third, we exclusively organize and produce almost all the major Chinese film-award ceremonies. In addition, we have secured the exclusive rights to telecast top international film-award ceremonies, including the Oscars, the Cannes Film Festival, and the Golden Globes, and we send our own crews to cover these events.


Fourth, we originate high-quality, timely programming that reports on movies and movie-related events in China and the rest of the world. Our top shows include *China Movies Reporting* and *The Journey of World Cinema*.

Fifth, we strongly support the sustained development of the overall Chinese film industry and recognize that our own growth is intricately tied to its healthy long-term development. We invest a portion of our profits back into more productions, and in recent years, we have invested in one out of every two Chinese movies produced.

Sixth, in light of our responsibilities to society as a member of the media, we are actively involved in movie-related public services and cultural events that have general public interest. Currently, to celebrate the centenary of Chinese movies, we are organizing a large-scale, multimedia, musical and theatrical stage production of *The Song of Movies*, which involves top Chinese artists from around the globe.

What do you have planned for your specialized channels, and what is your global strategy?

As we maintain the operational excellence of our domestic flagship CCTV6 China Movie Channel, we are ramping up our domestic premium pay service, China Home Cinema, and have active growth targets for our overseas CMC.

CMC, a channel that possesses the overseas TV broadcasting rights outside China for most Chinese movies, was launched in North America last year. Audiences from all around the world can use this as a portal to gain a better insight into the lifestyle, emotions, and history of the Chinese people. 



The Size of Your Stage = The Size of Your Heart

An Interview with Guo Zhenxi, Director, Advertising, Business, and Information Service Center, and Director, CCTV Economic Channel, China Central Television (CCTV), Beijing



Guo Zhenxi

EDITORS' NOTE With an M.A. in economics from Lanzhou University, Guo Zhenxi joined CCTV in 1992 as a journalist, and then became a producer. From May 1998 to April 2001, he worked as associate director of CCTV's advertising department. He was appointed director of CCTV's advertising department prior to his current position, where he increased advertising revenue over 50 consecutive months from May 2001 to June 2005. He has earned a variety of honors, including being named one of China's top 10 media managers.

COMPANY BRIEF China Central Television (CCTV) is the most influential national TV station in China. CCTV's penetration in China reached 94.4 percent in 2003, with an audience of 1.15 billion. Its ratings share accounts for more than 30 percent of the total and is still on the rise. Currently, CCTV has 16 channels, covering every aspect of life. In addition, CCTV has a high-definition TV system, which is on test broadcast; 11 pay-TV channels; and 28 online channels. This year, CCTV has put forward a new strategy featuring "the branding of specialized channels," and has started to shift its focus from TV-program production to the branding of TV media.

What effect has the transformation

from a planned economy to a market economy had on CCTV?

In the late '80s and '90s, CCTV focused mainly on the reform of news programs, which laid a foundation for future development and set CCTV's position as China's number-one media brand. In 1999, CCTV implemented a strategy based on the idea of specialized channels, individualized programs, and quality programming, which led to a large number of TV programs with great influence. In the past two years, CCTV has implemented the "advance-or-out" system in its programs. The rapid development of CCTV over the past few years, is the result of the reform and development.

How does CCTV promote China's internationalization process?

As the most authoritative medium in China, CCTV bears the responsibility of introducing China to the world. The signals of our Chinese-, English-, Spanish-, and French-language international channels are transmitted by satellite to the farthest corners of the world. Moreover, CCTV has entered terrestrial broadcasting systems in more than 120 countries and regions in North America, Europe, Africa, Asia, Oceania, and Central and South America. On October 1, 2004, headed by CCTV, domestic local TV stations and overseas Chinese-language media jointly launched the China Satellite TV Great Wall Platform, which includes six CCTV channels, seven provincial channels, and 17 programs from overseas Chinese-language media. The platform has entered the terrestrial broadcasting system in North America, which demonstrates that CCTV has stepped onto a new stage in the process of internationalization.

What are CCTV's branding strategies?

The communication guidelines of CCTV are to hand down civilization and make explorations and innovations. This reflects not only CCTV's responsibility in handing down Chinese civilization and advanced human culture, but also its innovation in embracing the world and the future.

Since CCTV is the only TV network

that covers the whole of China, influence lies at the core of CCTV's branding strategies. In China, CCTV represents the Communist Party of China and the government, while outside China, it represents China. The depth and breadth of its influence on China's politics, economy, culture, and people's lives and the added value that advertisers get cannot be matched by any other medium. The win-win partnerships that form between CCTV and its advertisers, in terms of building their respective brands, is the best illustration of CCTV's brand strategy.

How is CCTV involved in the development of the Chinese economy?

CCTV and its advertising department witness and promote the rapid development of the Chinese economy, and grow together with the Chinese economy. We always advocate that the media are a strategic resource for enterprises, and that the media should establish cooperative relations with enterprises. We adhere to customer-oriented guidelines and help clients to make the best use of media resources.

With the aim of keeping in line with reform and opening up, growing together with the Chinese economy, and joining hands with enterprises, we actively participate in the main battlefield of economic construction, focusing on the development of the main industries and promoting the expansion and updating of industries. Each year, we hold more than 20 industrial summits. Participants discuss sustained development and modernization of the industry.

What is behind your slogan, "the size of your stage depends on the size of your heart"?

This slogan reflects CCTV's confidence in the future, its passion, and its dream. Currently, the Chinese economy is facing a new round of development opportunities and many domestic enterprises are beginning to move onto a new step. As the national TV station, CCTV is obliged to provide a wide stage for Chinese enterprises, to enable them to have their own confidence, passion, and dream. 

My One-World Dream

By **Elizabeth H. Yang, China Chief Representative, LEADERS Magazine**

CHINA and YOU Survey

LEADERS is pleased to announce its first CHINA and YOU Survey. As part of our continuous effort to build an interactive communication channel between you and the Chinese leaders, we would like you to take a moment to participate in this important survey, which will help us to better address topics of your interest in the coming issues, and will help the world and China to better understand each other. We can also pass your comments along to related government officials and business leaders in China in order to make them truly interactive.

Feedback on the current issue:

1. Which article in this current Branding China issue drew your attention the most? And why?
2. What is missing from this China report that concerns you the most?

Doing Business in China

3. Would you like to do business in China? If so, what specific questions do you have that concern your industry?
4. If you haven't conducted any business in China, what might it take for you to do so?
5. What do you feel China needs to do to improve the business climate for foreign companies and investors? What is the biggest risk when you think of doing business in China?

Best Local Partner in China

6. Do you have a local business partner in China? What are the key characteristics that you look for in such a partner?
7. In our upcoming issues, we plan to launch a "China Roundtable" series to focus on the vast business opportunities in China. We will invite industry leaders from China to participate. Would you suggest which fields and what issues you would like to see covered?

Thank you so much for giving your input to our survey. Please send your comments to china@leadersmag.com. 



Elizabeth H. Yang

About 15 years ago, I wrote an essay entitled "One World," for the competition of a highly prestigious internship in the U.S., in which I displayed a young Chinese student's hopes and dreams of a harmonious world made of understanding, recognition, and respecting of cultural differences. I won the competition.

A few years later, I was interviewed by a senior executive of a major Hollywood studio for a representative position in China. As I was passionately describing my vision of running a channel to help China better communicate with the world, the studio executive asked me with a kind smile, "Will that channel be called 'Elizabeth's Channel?'" "No," I replied, "It will be called 'One World.'" I didn't know if their acceptance of me had anything to do with my answer or not, but I got the job.

When I traveled to different places of the world, people often asked me, "Do you feel more Chinese or American?" "Citizen of the world," I answered. There is no doubt that I have deep roots in China and America and am profoundly attached to them emotionally. However, they are the solid stepping-stones for me to take off on my One World dream, not the roof of my world.

In the world today, we are not each other's enemies, but each other's resources and opportunities. It is time for us to clear the clutter accumulated by centuries of social developments to go back to the pure and simple human nature – we are all the same and it is our mutual need for survival that makes it essential for us to rely on each other peacefully and respect each other wholeheartedly. It is no longer your world, my world. It is Our World.

It is my great honor to work with LEADERS, a uniquely positioned global communication platform, to bring China to the world as a truly great resource, great partner, great opportunity, and great contributor. My "One World" dream might have won the heart of the judges and studio executives in the past. But now, I am thrilled to see that the "One World" dream is winning the heart of the world.

I have no doubt that my path has led me here, to this most important mission and cause. I am thankful for all the support given by the Chinese leaders and to a remarkable human being, Charles Abrams, a great friend and visionary believer in China, whose spirit has lightened up the truth that the most globally aware, thinking people today understand that One World is the only way to sanity and peace for all. I am also very proud of the team that has overcome the impossible to put this issue together.

With LEADERS Branding China issues, we are creating an interactive platform for Chinese leaders to directly share their thoughts with other important global players. In addition to the leaders featured in this section, we are also very pleased to present Frank G. Ning, chairman of China National Cereals, Oils & Food Stuffs Corp. as part of the Agriculture in the 21st Century section in this issue. He will be joined by major players in his field from different parts of the world. We hope that more dialogues of this nature will take place in LEADERS, the platform where brilliant insights are communicated among people who lead positive change for a better global future. Please join me in advancing this mission. And become a part of LEADERS. 