



The People's Bank of China lowers the reserve requirement ratio for most banks by 1 percentage point on October 15 (VCG)

Freeing reserve cash

China further cuts the reserve requirement ratio for banks to boost the real economy

By Wang Jun

On October 15, the reserve requirement ratio (RRR) for most banks in China went down by 1 percentage point, the fourth such cut in 2018. The People's Bank of China (PBC), the country's central bank, announced the decision on October 7, saying the measure is mainly aimed at optimizing the structure of liquidity in commercial banks and the financial market so that the financial sector can better serve the real economy.

Some of the liquidity unleashed by the reduction was used to pay back 450 billion yuan (\$65.22 billion) of medium-term lending facility (MLF) due on October 15. In addition, the RRR cut also released another 750 billion yuan (\$108.7 billion) of incremental capital, according to PBC statistics.

The cut applied to the renminbi deposits of large commercial banks, joint-stock commercial banks, city commercial banks, non-county rural commercial banks as well as foreign-funded banks.

Serving real economy better

As more credit is granted, financial institutions' demand for medium- and long-term liquidity is also increasing. Moderately cutting the reserve requirement, the amount of deposits that a bank must keep on hand at all times, has stabilized funds within the banking system. Besides improving the liquidity structure in commercial banks and the financial market, it will also allow financial institutions to access long-term funds steadily and subsequently reduce corporations' financing costs.

The 750-billion-yuan incremental capital to be freed will enable financial institutions to better support small and micro-sized enterprises, private companies and innovation-driven firms. All this will enhance the innovative vigor and resilience of the economy and boost sound development of the real economy, said a PBC statement on the RRR cut.

"This time of RRR reduction conforms to the changes in the Chinese economy," Lian Ping, chief economist of Bank of Communications, one of China's largest commercial banks, said in an interview with China National Radio.

According to him, China's prudent monetary policy remains neutral, and the adjustments target specific circumstances. In the banking system, growth of debts has been slow for some time, and compared with the increase of loans, that of deposits has been slower. The market demand for liquidity has been growing steadily. Considering the debt changes in the banking system and the fact that the RRR is still at a comparatively high level, making appropriate adjustments is a targeted policy that can help commercial banks better support small and micro-sized businesses, private companies and innovation-driven firms.

This was the second time that the central bank cut RRR to replace MLF operation this year. "This will expand the maturity structure of funds, ultimately helping improve financing conditions of corporations," said Lu Zhengwei, chief economist of

Industrial Bank, in an interview with China National Radio.

Lu said previously both open market operations and MLF matured within one year, but this RRR cut unleashed long-term capitals, which would make the maturity of assets and debts in commercial banks better matched. "This would encourage commercial banks to grant more loans and buy more medium- and long-term corporate bonds, which would improve the financing conditions of private enterprises," he added.

Monetary policy unchanged

According to the PBC statement, the RRR cut is still a measure of targeted control, with liquidity in the banking system as well as money supply staying stable and the orientation of monetary policy remaining unchanged. Some of the liquidity released by the RRR cut was used to pay back MLF, which is a kind of replacement of two liquidity tools. Therefore while the liquidity structure is optimized, the total amount of liquidity in the banking system remains unchanged.

"The PBC will continue the prudent and neutral monetary policy, refrain from using a deluge of stimulus and focus on targeted control, in order to maintain sound and sufficient liquidity," according to the statement. The policy is also intended to promote reasonable growth of monetary credit and the total financing amount. In addition, it will create a "suitable monetary and financial environment for quality development and supply-side structural reform."

Will the RRR reduction intensify the depreciation pressure on the renminbi? The PBC said as the interest rate remains stable and the growth of broad money [that covers cash in circulation and all deposits] and total financing amount is suited to the nominal GDP growth, the RRR reduction will not impose depreciation pressure on the renminbi. Instead, it will facilitate economic restructuring, boost high-quality development and make economic conditions better support the renminbi exchange rate.

As a large developing economy, China is very competitive in exports and its economic growth mainly relies on domestic demand with complete categories of manufacturing industries and a well-developed industrial system, the statement added.

There are sufficient conditions for the renminbi exchange rate to remain basically stable. The PBC will continue to take necessary measures to stabilize market expectations and keep the foreign exchange market running smoothly, it said.

However, Zhang Ming, a

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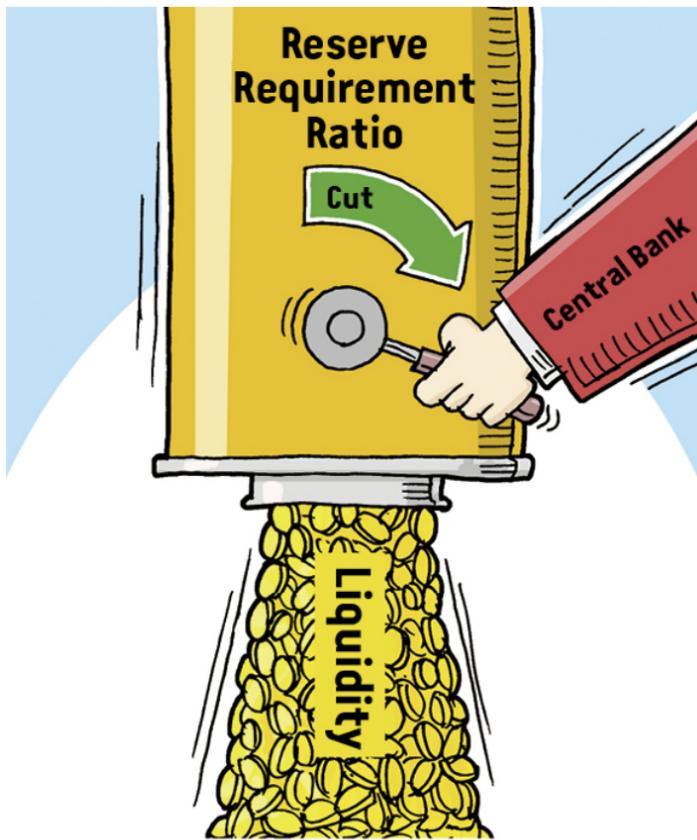
Major events in October

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researcher with the Chinese Academy of Social Sciences and chief economist of Ping An Securities, told Economic Information Daily that given the backdrop of several interest rate hikes by the U.S. Federal Reserve, the RRR cut will help narrow the interest rate spread between China and the United States, bringing depreciation pressure to the renminbi against the U.S. dollar.

Zhang added that the PBC statement shows the central bank is putting domestic targets before foreign-related targets, and is willing and able to keep the renminbi exchange rate at a certain level.

"New counter-cyclical factors have enabled the central bank to better influence the yuan's standard price," Zhang said, adding with enhanced administration of cross-border capital flows, the PBC still has the ability to intervene in foreign exchange reserves and the offshore renminbi market.



Building up steam

China remains on track to achieve its full-year economic growth target despite headwinds

By Li Xiaoyang

Amid a complicated international landscape and domestic challenges, China's economy managed to maintain overall stable growth in the first three quarters of 2018. The stress is on resilient growth by shifting toward high-quality and sustainable development.

Data released by the National Bureau of Statistics (NBS) shows that GDP grew 6.7 percent year on year in the nine months to around 65.09 trillion yuan (\$9.38 trillion).

But the GDP growth rate edged down from 6.7 percent year on year in the second quarter to 6.5 percent in the third quarter. A report from the financial research center at Bank of Communications attributed the slowdown to both external challenges and slowing growth in domestic infrastructure investment.

According to NBS spokesperson Mao Shengyong, the trade friction between China and the United States has generated mounting instability in the global landscape, adding uncertainties to the stable performance of China's economy and bringing downward pressure.

Aside from the external factors, the economy is also experiencing structural changes, which have come with both pains and gains, said Xu Hongcai, deputy chief economist at the China Center for International Economic Exchanges. "Since China is shifting its focus toward medium-to-high-speed development, the slowdown of its GDP growth this year is within expectations as the nation has entered the 'new normal' stage of economic restructuring and upgrading," He told *Beijing Review*.

"However, stable growth of the Chinese economy can still be expected with... the domestic economic resilience strong enough to offset the external adverse effects," Mao said at a press briefing on October 19. "From the overall economic performance, we are confident that China will be able to meet the annual growth target of 6.5 percent."

Trade resilience

According to NBS data, China's foreign trade volume improved by 9.9 percent year on year to 22.28 trillion yuan (\$3.21 trillion). With exports of around 11.86 trillion yuan (\$1.7 trillion), up 6.5 percent year on year, and imports of around 10.43 trillion yuan (\$1.5 trillion), up 14.1 percent year on year, China's trade surplus



A fully loaded cargo ship leaves a container terminal at Qingdao Port, east China's Shandong Province, on October 19 (XINHUA)

trade and industrial capacity cooperation with those countries with newly emerging markets.

To ensure the sustainable growth of foreign trade, innovative reforms are still needed. "China needs to promote industrial upgrading toward middle to high ends on the global value chain to improve its foreign trade volume," Xu said.

As China strives to wean its economic growth off reliance on exports and large investment projects, the expanding middle-income group with its increasingly upgraded consumption habits has become a key pillar of economic development.

Growing demands

According to the NBS, domestic consumption contributed 78 percent to China's economic growth, a year-on-year increase of 14 percent in the first three quarters. The proportion of service consumption took up 52.6 percent of overall consumer spending, up 0.2 percentage points year on year.

The service sector continued to stabilize the economy as a ballast stone, contributing 60.8

"Infrastructure investment and innovation are the two major drivers of domestic demand. China's urbanization still sees room for improvement and the manufacturing industry is not yet full-fledged. Therefore, infrastructure investment should be improved and innovation-oriented," Xu said.

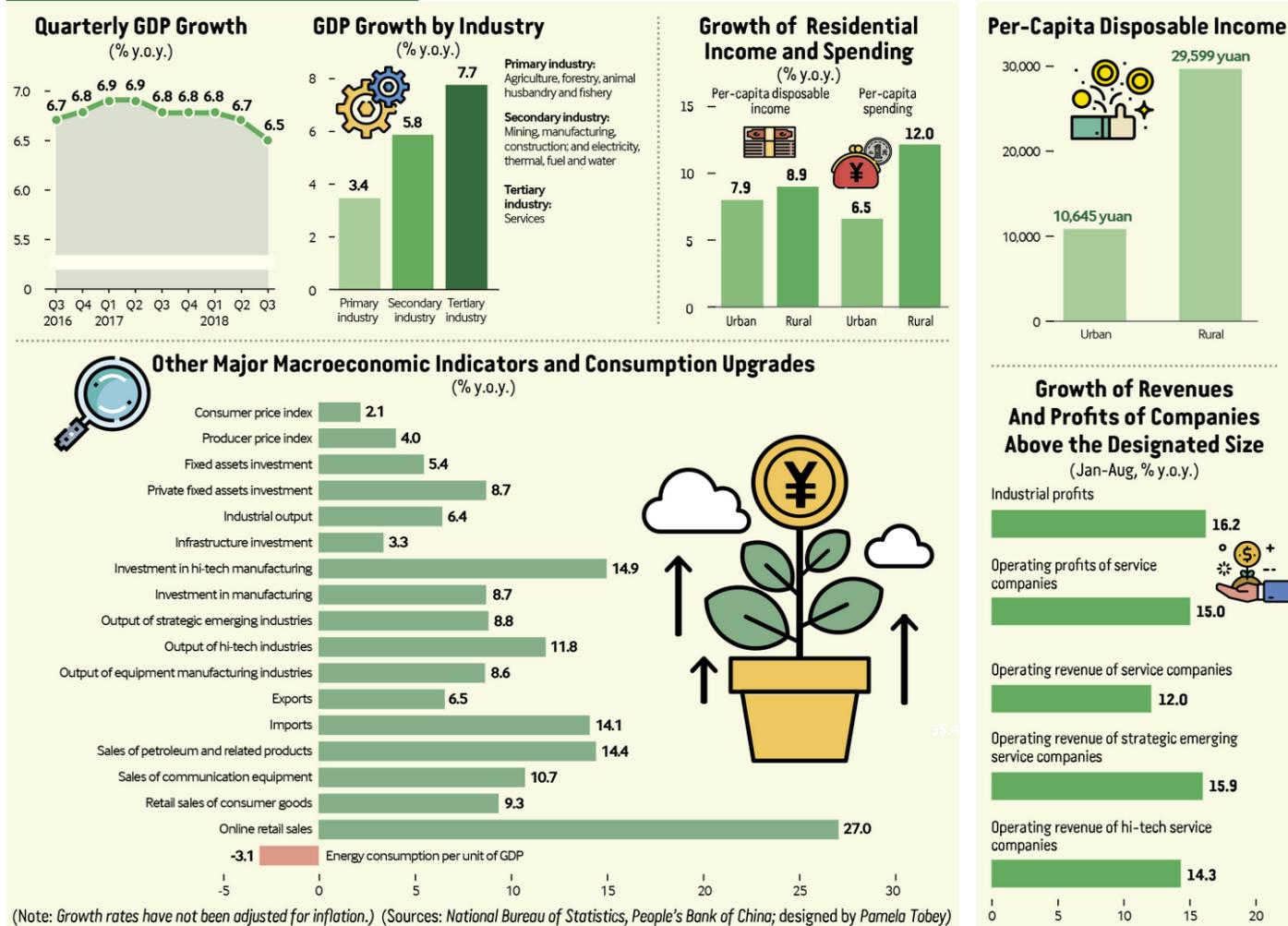
Restoring confidence

The Asian Development Outlook 2018 Update recently released by the Asian Development Bank predicted that China's economy would register stable growth driven by supply-side structural reform and the domestic service industry gaining strong momentum.

As Xu sees it, a more proactive fiscal policy will contribute to the rise of infrastructure investment in the last quarter of 2018 and the first half of 2019. Domestic consumption, another increasingly significant driving force of the economy, is also growing in a stable and resilient manner.

The stock market is a barometer of the real economy. Despite the fluctuations and slowdown in the Chinese stock market in the

China's Economy in Jan-Sep 2018



was narrowed by 28.3 percent compared to the same period of 2017, amounting to 1.44 trillion yuan (\$200 billion) in the first nine months. The net exports of Chinese goods and services contributed minus 9.8 percent to domestic economic growth.

"Decreasing goods trade surplus and expanding service trade deficit have narrowed China's foreign trade surplus, hence the minus contribution rate. It is a trend that may continue in the future," Xu said.

Though the trade friction between China and the United States has cast a shadow on both sides and triggered concerns over an unstable market, Mao said on October 19 that it has not exerted remarkable negative influence on China's imports and exports and the overall foreign trade performance has met expectations.

Imports and exports between China and its major trading partners both increased in the first three quarters. Bilateral trade between China and EU states, the United States and ASEAN nations grew by 7.3 percent, 6.5 percent and 12.6 percent, respectively.

Encouragingly, the external challenges confronting China are offset by the chances brought by newly emerging markets and domestic preferential policies facilitating foreign trade. According to Mao, China saw its trade with countries along the Silk Road Economic Belt and the 21st-Century Maritime Silk Road, as well as African and Latin American countries, grow faster than its overall foreign trade in the January-September period. For example, its import and export volume with Russia, Poland and Kazakhstan increased respectively by 19.4 percent, 11.9 percent and 11.8 percent year on year.

In Xu's view, the markets of many developing countries are growing rapidly, providing new opportunities and showing further development potential. China needs to expand its economic,

percent to domestic economic growth—an increase of 1.8 percentage points year on year between January and September.

The growth of China's total retail sales of consumer goods reached a record low of 6.4 percent in September, mainly caused by increasing household debts due to housing purchases and the declining increase of car sales, a report by Haitong Securities, a major securities firm in China, said.

However, online retail sales of physical goods boomed from January to September, despite slight slides. The growth rate was 27.7 percent compared to the corresponding period of last year. It took up 17.5 percent of total retail sales of consumer goods, a record high.

To stimulate consumption growth, the authorities have launched a raft of measures. According to Xu, the development of the service sector, small and medium-sized enterprises and new technologies, as well as promoting entrepreneurship and innovation by policy, have generated new job opportunities, ensuring stable momentum of the employment market and thereby guaranteeing domestic demands.

The number of newly added urban jobs across China in the first three quarters exceeded 11 million, according to NBS data. In September, the surveyed unemployment rate stood at 4.9 percent, down 0.1 percentage point both month on month and year on year.

To improve people's purchasing power, the minimum threshold of personal income tax has been raised to 5,000 yuan (\$720) from 3,500 yuan (\$504), a recent policy to reduce the tax burden for middle- and lower-income earners. In addition, measures for special expense deductions for children's education, further education, treatment for serious diseases, as well as repaying housing loans and rents will also be rolled out.

previous months, the authorities have vowed to take measures to ensure its sound growth and boost investors' confidence.

Vice Premier Liu He told the media on October 19 that several factors caused domestic stocks to fluctuate and decline: The central banks of major countries raised the interest rates, the trade friction between China and the United States, the restructuring of the Chinese economy and changing market expectations.

The fluctuations and selloffs, however, generated good investment opportunities for the long-term and sound development of the stock market, Liu said.

Responding to the private sector's concerns over the domestic economic slowdown and external challenges, Liu said that private enterprises have a significant role in the overall economic system and contribute much to the fiscal revenue, GDP growth, technological innovation and employment. The government will create a fairer business environment and strengthen regulations to facilitate the growth of private enterprises.

On October 22, the People's Bank of China, the country's central bank, announced that it will support bond issuances by private enterprises by financing part of the initial capital. It also said that it will boost relending and rediscount quotas by 150 billion yuan (\$21.6 billion) to ensure private enterprises can access loans.

Xu told *Beijing Review* that reform and innovation have given new impetus to the economy, optimized its structure, and improved the quality of growth despite a slowdown.

"The possibility that China's economy will witness a decline in its growth rate by a large margin in the future is slim. The growth rate in the fourth quarter will be over 6.5 percent. Despite a possible downtrend in 2019, a growth rate of over 6.5 percent can still be expected," Xu added.

Unwise moves

Experts say China-U.S. tensions stem from fundamental misunderstanding and mistrust

By Yu Shujun

U.S. President Donald Trump's trade battle with China has no end in sight and seems to have gone beyond tariffs. After imposing tariffs on \$250 billion of imports from China, Trump threatened to "levy even more, with the possibility of substantially more than doubling that number."

Then in a speech on October 4, Vice President Mike Pence launched a broader attack, accusing China of intellectual property (IP) theft, military aggression and attempts to interfere in the upcoming U.S. midterm elections.

"The lack of trust in the U.S. about China and the lack of knowledge is so profound that the tension is not only going to stay on trade," Peter Walker, a former senior partner at McKinsey & Company, told the media on the sidelines of the 2018 U.S.-China Relations Conference held at Columbia University in New York, on October 7. "It's going to expand to IP issues and all issues related to it."

Pillars undermined

Huang Yasheng, a professor at the Sloan School of Management of the Massachusetts Institute of Technology, said China is being blamed for manufacturing job losses in the U.S. The allegation has created a political backlash against globalization and against China. Chinese investments are being restricted as well as its labor market, with visas for foreign workers and green cards being curtailed. There are also product market restrictions as a result of slapping tariffs on Chinese goods.

However, economic evidence suggests that the problems and job losses in the U.S. manufacturing industry are overwhelmingly due to technology rather than globalization, Huang said. "It is entirely wrong to blame this issue on China. This should not be one of the important components driving the relationship between the two countries downhill," he added.

Huang pointed out that the economy, trade and investment, people-to-people interaction and mobility of goods and capital are the pillars of the China-U.S. relationship that could withstand shocks. With these stabilizing pillars, both countries were able to resolve their difficulties in the past. "We have benefited from the pillars," he said. "All these pillars now are being substantially undermined."

Lack of trust

Walker said a fundamental distrust due to the differences in the two countries' models is deeper than the "noise" about trade and the South China Sea issue. "Even though both [Chinese and U.S.] models have been very successful, there's a deep level of mistrust," he said, with their core difference leading to significant misperceptions. China has a strong central government that is formed based on a meritocracy, Walker added. Having a corporate-driven model, with consensus in decision-making and a long-term view, China's economic results are not at all surprising.

Walker said the biggest takeaway from his 80 trips to China in 15 years is the total disconnect between what he sees in China—a happy people proud of Chinese accomplishments and a prosperous country—and what he reads in the Western press about China: unhappy people and an unsustainable government and economy. "If you look at what China has accomplished... huge improvements in literacy, longevity and the raising of people out of poverty... the



A white paper on China's position on China-U.S. trade friction is released by the Information Office of the State Council of China on September 25 (XINHUA)

notion of the average Chinese protesting the government is like out of your mind," he said.

Another misconception is the idea that China is militaristic, Walker said. "China has the most peaceful history of any major country over thousands of years... Their defense budget is a tiny fraction of the U.S. defense budget, even though they have almost four times as many people as the U.S. does." He added that the U.S. has been spending \$14 trillion on military excursions over the last 30 years, whereas the money required to fix the infrastructure in the U.S. is \$2 trillion.

Much of the anxieties about China in the West, starting in the U.S., go back to a fundamental misunderstanding, he said, citing the fact that while 26 million Chinese have visited the U.S., less than 1 million people from the United States have been to China. For him, 95 percent of the mistrust is on the side of the U.S. "The U.S. doesn't understand [China]. It never really invested time to understand China," he told *Beijing Review*.

Possible solutions

The panelists thought the tariffs were a "stupid" measure. Trade enables a country to export products based on its strength and to import what's done better elsewhere, either with better quality or a better price or both, Walker explained. The trade deficit between the two countries isn't a meaningful number. The U.S. exports enormous volumes of services to China but doesn't count that while calculating the deficit, Walker said.

"Trade restrictions are lose-lose. Only Trump could decide that losing less than the other side was really a win," he said. "Every economist knows that both economies suffer with restrictions. Trump is using the card for political reasons and appears to be successful."

Huang said a wise administration would take a case-by-case approach. "I would like to see a more tailored and targeted solution rather than slapping 20 percent tariffs on Chinese products, which really hurt enterprises that have nothing

to do with technology transfer and IP issues," he said. "If you have these concrete issues on the table, the Chinese will be willing to discuss these issues."

He added that the situation of IP theft in China is being controlled. "The danger of the U.S. policy now is to mix IP theft issues with compulsory licensing issues, making themselves enemies of those Chinese domestic entrepreneurs who start to gain from better IP protection."

The two countries conducted negotiations in June and August with those issues on the agenda. "There's been a lot of discussion in many areas," Cui Tiankai, Chinese Ambassador to the United States, told National Public Radio on October 3. According to Cui, China offered to reduce the trade deficit with the U.S., presenting a proposal on further reform and opening up. But the tentative agreement was rejected overnight and the demand from the U.S. changed, he said.

"The Chinese are very pragmatic," Walker said. "If we offer China things that really matter to them, China will be willing to think about opening up financial and service markets in response." Chinese government officials, he said, see enormous opportunities for win-win cooperation, whether in fighting climate change, technology or managing the transition to the next consumer economy driven by technology and artificial intelligence.

Merit Janow, Dean of Columbia University's School of International and Public Affairs, said she didn't anticipate any reduction of the trade tension in the near term. It was not only a question of the U.S. midterm elections. Some of these issues have been sources of tension for a very long time, she said.

"It would be unrealistic to expect a fundamental resolution in the near term but that does not mean that we cannot see some progress," Janow told the media on the sidelines of the forum. "My hope is we get progress where we can and keep working on those [problematic] areas that remain."



People attend an activity celebrating the Chinese Mid-Autumn Festival in South Coast Plaza in Costa Mesa, the United States, on September 23 (XINHUA)

A rising star

The tide of reform and opening up has catapulted Xiamen to fame with new assets

By Lan Xinzhen



Xiamen is a prime tourist destination because of its lush greenery and an investment hub due to preferential policies (BEIJING REVIEW)

Allen Chen starts his normal work day in his office at Standard Foods Co., located in the Xiamen Area of the Fujian Pilot Free Trade Zone (FTZ). Standard Foods, headquartered in Taiwan, signed an investment contract with the FTZ authorities in November 2015 and Chen was put in charge of the project. In the past two years, the time he has spent more time in Xiamen than in Taiwan. "I feel comfortable investing, working and living here," he said.

This is Xiamen's strength. The coastal city in southeast China's Fujian Province sees millions of tourists every year, drawn by its lush greenery, mountains and pristine beaches. In addition, investors also flock to the city, which pioneered the FTZ trend in China, persuaded by its efficient, convenient and transparent investment climate.

New name cards

In the past, Xiamen was known as Egret Island since it is home to the great white egret. Their profusion gave rise to the legend that the birds were the guardians of the island, protecting it like warriors. Today, however, Xiamen has a new identity. It is one of the best cities in China to do business, with favorable policies, hi-tech and a skilled workforce becoming its new name cards.

When Xiamen hosted the Ninth BRICS Summit in September 2017, Chinese President Xi Jinping drew attention to the impact of reform and opening up on the city, which was a gateway of China's external cooperation. "Xiamen has become well known for its innovation and entrepreneurship, with burgeoning new economic forms and new industries, robust trade and investment, and easy access to the world with air, land and sea links," Xi said in his keynote speech at the summit.

When the FTZ was established in April 2015, the Xiamen site was still a wasteland. People thought it would be difficult to get the FTZ going but Chen had full faith in its viability. "The FTZ administration and relevant government departments fully supported us," he said. "Whenever we encountered difficulties, regarding the use of electricity or water, or anything else, we would call them up and soon, there would be someone to help."

In May 2017, Standard Foods began to produce sunflower seed oil. The output value exceeded 500 million yuan (\$72.2 million) last year. Chen said if they had chosen another city, the new project wouldn't have progressed so fast. "We would still be building the plant or commissioning the equipment," he said.

Before investing in Xiamen, Standard Foods had explored other cities. But what clinched the deal for Xiamen was the FTZ's negative list system, as well as the sound business environment and efficient and considerate services of relevant departments.



The container terminal of Xiamen Port (WANG XIANG)

Yunchuang Zhigu is a privately-owned industrial park in the FTZ. It creates entrepreneurial and incubation platforms for small and medium-sized enterprises in the scientific and technological industries. Li Qiang, President of Hongxin Entrepreneur Incubator Investment Group and an investor in the smart industrial park, explained what made him invest in the city, "The cost of starting a business is low here, the entrepreneurial environment is good and there is a complete industry chain here."

Two years after Yunchuang Zhigu was established, more than 500 enterprises have settled in and over 20 makerspaces have been built. The Smart Connectivity and Flexible Electronics Maker Space specializes in the industrialization of flexible electronics—assembling electronic circuits—by recruiting talents from universities and research institutions and attracting social investment funds. To date, it has developed a series of hi-tech products such as flexible electronic touchscreens, flexible batteries and flexible wearable components that can be bent, folded or rolled up like paper.

Xu Jianmin, Director of the Investment Promotion Agency of the Administration of the Xiamen Area of China (Fujian) Pilot FTZ, described how the efficient, convenient and transparent business environment was created. The administration studied the business environment evaluation indicators of the World Bank, the World Trade Organization's Trade Facilitation Agreement, and other major bilateral and multilateral trade and investment agreements. It also implemented a pre-establishment national treatment plus negative list plus record management model.

In addition, the FTZ has taken several innovative initiatives in the past three years to cut the red tape for administrative approval. For instance, in the past investors had to shuttle from one department to another, located in different areas, to obtain the necessary approval from each. It cost a considerable amount of time and money. But now, an offline one-stop service center has been opened to receive the paperwork. From there, the documents are sent to different departments online and the applicants no longer need to chase approvals from different departments. Many of these efficient measures have been promoted nationwide by the State Council, China's cabinet.

The turnaround

Before reform and opening up, Xiamen was a sleepy city with fishery as the main industry. The urban architecture consisted mostly of one-story houses and three to four-story buildings.

"Forty years ago, I never thought Xiamen would become what it is today," said Lu Huizhu, whose family is among the first batch of self-employed entrepreneurs in Xiamen. "It was just a small town for border defense then."

When the reform and opening up started, Xiamen became one of the first four special economic zones in the country. It had a distinct geographical advantage: its

proximity to Taiwan, which made businesses from Taiwan prefer to invest in Xiamen and boosted the city's economic development. Subsequently, multinationals such as Coca-Cola and Dell began to arrive in Xiamen. According to local government statistics, in 1978, there were only 370 industrial enterprises in Xiamen and all of them were either state-owned or collectively owned. Last year, the number of foreign-funded enterprises with yearly revenues over 20 million yuan (\$2.88 million) alone reached 687, with their output value accounting for over 60 percent of such enterprises in the city.

Lu Huizhu's family began their small seafood business after the government allowed self-employed entrepreneurs. At that time, it was rare to find foreigners on the streets. But today, with more and more foreigners pouring in, they have become a familiar sight. Many of them have chosen to settle down in Xiamen.

"I witnessed how Xiamen grew during the past decades," said Lu, whose family moved twice, with their new houses becoming bigger and grander. The place where they lived four decades ago by the sea is a commercial center today, with clusters of skyscrapers. Their neighborhood, once an underprivileged village, has become an upscale area. "After the launch of reform and opening up, Xiamen made big progress every year," Lu said.

Over the 40 years, like Beijing, Shanghai and other big cities, Xiamen's size and population have increased in direct proportion to the growth of its social wealth. Xiamen transformed from an underdeveloped town with an urban built-up area of around 30 square km to an international coastal city sprawling over 360 square km and winning many laurels. It ranks among China's "Top 10 Innovation Cities" and "Top 10 Low-Carbon Cities" and has received the UN Habitat Scroll of Honor Award in recognition of its contribution to the development of housing.

It has also become an international conference and event destination. Xiamen's development was greatly affirmed when it was chosen to host the Ninth BRICS Summit. Annual events like the China International Fair for Investment and Trade, the Xiamen International Marathon and the IRONMAN Triathlon have become Xiamen's international name cards.

Belt and Road bounty

The Chinese believe that where there is water, there is prosperity. The Port of Xiamen has played an integral role in Xiamen's economic and social development as well as its internationalization.

Since the launch of reform and opening up, traders to Xiamen have multiplied and diversified. In the past, they were mainly from Southeast Asian countries and regions such as Taiwan, Hong Kong and Macao, whereas today, investors are coming from more than 70 countries and regions. The convenience of the port is one of the reasons for international investors choosing Xiamen and the boom in the city's economy. Since 1978, Xiamen's average annual GDP growth rate has been 15.6 percent.

In recent years, Xiamen has focused on the national strategy to integrate with the Belt and Road Initiative. The first Maritime Silk Road investment fund was created by the local government to seek new investment opportunities.

In the storage area of Standard Foods, where the oil tanks are kept, there is a 1-meter-thick pipeline going all the way to the Port of Xiamen, several kilometers away. Through the pipeline, the sunflower seed oil can be directly loaded onto the oil tanks, saving Standard Foods the trouble of cargo transfer, the expenses it entails and time.

Chen Zhaohui, General Manager of Xiamen International Port Co., a freight delivery company, outlined other facilitation measures at the port, such as the electronic cargo handling and customs declaration system. No matter where the trader is, the goods can be declared online. In addition, the Port of Xiamen is very well connected: It has over 80 routes to the Americas, Europe, Africa, the Middle East, Oceania, Southeast Asia and Northeast Asia. It is a major maritime link for China and other countries and regions along the Belt and Road for trade and economic exchanges.

The port has also developed Belt and Road cruise products combined with maritime culture, strengthening the connection between China and other countries along the Maritime Silk Road, Chen said.

In 2015, Xiamen started the Europe-bound China (Xiamen) Railway Express, forming a multimodal transport link. Mongolia, Kazakhstan and other landlocked countries in Central Asia can use this channel to facilitate container transportation to the rest of the world. The China (Xiamen) Railway Express has opened four international routes touching 13 cities in nine countries.

Data from the Xiamen Statistics Bureau shows that in 2017, Xiamen's trade with other countries along the Maritime Silk Road reached 208.3 billion yuan (\$30.1 billion), with its investment totaling \$2.2 billion.

Historically, Xiamen was the starting point of the Maritime Silk Road and a major trading port on the route. Its geographical advantages endowed it with an expanding trade network. So with the progression of the Belt and Road Initiative, which comprises the Silk Road Economic Belt and the 21st-Century Maritime Silk Road, will Xiamen become a pivotal international hub in the new global network? It's a development anticipated by many.

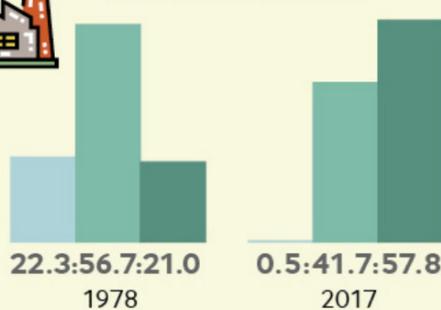
A Study in Contrast

Xiamen's social and economic development in 1978 and 2017

Gross Regional Domestic Product



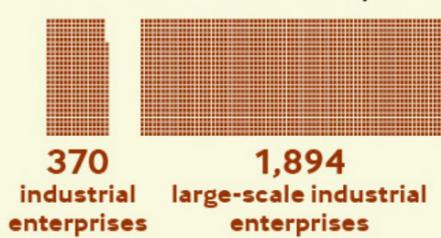
Proportion of Three Industrial Structures



Foreign Trade



Number of Industrial Enterprises



Total Retail Sales of Consumer Goods



(Sources: Xiamen Municipal Bureau of Statistics and Xiamen Municipal Development and Reform Commission; designed by Pamela Tobey)

A blooming desert

One plant changes the destiny of a town in the Gobi Desert

By Liang Xiao



An aerial view of Altay in northwest China's Xinjiang Uygur Autonomous Region on August 27 (LIANG XIAO)

For 42-year-old Zeng Guo, sandstorms are a lasting horrible memory. He was born and raised in the Gobi Desert in Alahake, a town in Altay, northwest China's Xinjiang Uygur Autonomous Region.

In the past, residents had no way to resist a sandstorm. As a result, when it came, they were forced to hide indoors. "The problem of sandstorms was severe in the Gobi Desert. Every three or five days, a wave of sandstorms would arrive, lasting five to seven days. Standing in my family's field, I could only see our patch of land; the rest of the world was full of yellow sand," Zeng told *Beijing Review*.

But now, through planting gaubau kender, a special herb found only in the Gobi Desert in Altay, the once sandstorm-torn town has turned green, with its residents having increasing incomes. Zeng, now a manager of a plantation base of gaubau kender, is one of the beneficiaries from this change.

In Alahake, over 85 percent of the 11,500 registered households are from the Kazakh ethnic group, whose main production model is animal husbandry. The town is famous for a salt lake which has been the source of salt for herders since ancient times. Located in the desert, without a water supply, the salt content of the lake water is relatively high, affected by a strong evaporation. In the mid-1960s, salt fields established here were able to produce 600-700 tons of salt for livestock per year.

Because of the natural environment, vegetation to support livestock, like cattle and sheep, is insufficient. Thus, in order to eat, these animals often dig up plant roots. Consequently, the development of the ecological environment in the area is trapped in a vicious cycle and what the residents of Alahake were faced with was a huge survival crisis.

Beneficial flowers

Two years after Zeng was born, and owing to the implementation of the reform and opening-up policy, Zeng's family contracted for more than 2 mu (0.13 hectares) of farming land and later gradually rented some more land from herders.

After getting married, Zeng took the load in the family from his father and continued to work hard on their land. He and his wife specialized in growing sunflowers that could be irrigated with light salt water. They earned about 30,000 yuan (\$4,300) a year in around 2005.

But this type of work meant a lot of uncertainty for the couple. Farmers do not have the ability to forecast fluctuating crop trends. Affected by various factors, the harvest for some years did not lead to profits, as the purchase price plummeted. Suffering from the risks of the traditional agriculture industry, Zeng once came up with the idea of giving up farming and finding a job in the town, which he failed to put into practice then because at the time, there were no enterprises in the town. Moreover, he did not have the heart to leave his aging parents whom he felt a duty to care for.

Meanwhile, in Shenzhen, thousands of kilometers away from Altay, Liu Qizhen, a textile entrepreneur, was traveling in west China with experts, looking for a plant with high-quality fiber that was said to be extinct, bluish dogbane. The plant was first discovered in 1952 by Dong Zhengjun, a famous agricultural economist, on the Luobu Plain in Xinjiang, where they grew wild.

Finally, in Alahake, Liu found 8.2 hectares of patches of a plant that was identified as different from previous bluish dogbane species recorded in the authoritative *Flora of China*. The new one was named Altay Gaubau Kender.

Regarded as the gem of the Gobi Desert, gaubau kender is full of treasures. Its petals can be used as a raw material for cosmetics. The leaves, which grow for more than three years, can be fried and made into

tea, with a price tag of up to 1,000 yuan (\$144) per kg. After seven years, the stems can be made into fibers, and the clothes made of these fibers have good effects on health and also claim a high price.

What is most remarkable about the herb is its role in combating sandstorms. Its roots are extremely developed, the perennial roots can survive for more than 30 years and new horizontal roots appear every year. Hence, gaubau kender has significant influence on the prevention of sandstorms and the reservation of water.

In February 2006, Zeng became a member of the first batch of employees of Altay Gaubau Tea Co. Ltd. founded by Liu. In an experimental greenhouse in the Gobi Desert, Zeng and his colleagues planted the first artificially cultivated gaubau kender. Today, the area for standardized plantation in Alahake is 1,460 hectares, while the area for the recovery of wild gaubau kender is 4,020 hectares. Every year, from June to August, the Gobi Desert is now transformed into a boundless red ocean of gaubau kender blossoms, which lasts nearly 100 days.

Common wealth

"We do not rely solely on one company to protect the ecological environment. In the first half of this year alone, more than 20,000 trees were planted for afforestation, organized by the government of the town. In addition, we also put great effort into the promotion of forage cultivation. This attempt is strongly supported by local herders, because although the initial purpose is to optimize the use of land and protect the ecology, the cost of raising livestock is reduced at the same time," Liu Xingpu, an official from the local government, told *Beijing Review*.

Under the joint efforts of the government, enterprises and residents, Alahake's environment has been improved to a large degree. Except for an occasional wind, large scale sandstorms have basically been eliminated.

Since Zeng became a member of the company's management, his family's income has increased sevenfold, however they still farm the contracted land as well. It is no longer the major source of income for the family, but rather a pleasure and a joy. Because of the better environment, the output of the land has increased greatly.

Other people have also benefited from the development of the gaubau kender industry in Alahake. Liu Xiaoyu, a member of the Board of Altay Gaubau Tea Co. Ltd., told *Beijing Review* that more than 5 million yuan (\$720,970) is paid to farmers and herders for temporary work.

Currently, Zeng's team consists of more than 50 regular employees, 70 percent of whom are local residents and more than 50 percent ethnic minorities. During the harvesting time, the plantation base also hires a large number of farmers and herders in surrounding areas as temporary workers, paying them 200-400 yuan (\$29-58) per day.

In addition to part-time jobs, local residents have more opportunities to increase their income. They used to spend money on cleaning up livestock feces; however, today the tea company needs manure in large quantities for the improvement of land fertility. Consequently, by selling the manure, herders' annual income increased by 1,000 yuan (\$144).

Along with the improvement of the ecology, the gaubau kender plantation base is now a famous national scenic spot. To serve the increasing number of tourists and lead the residents to common wealth, the town government has attached great importance to the flourishing development of the tourism industry. Relevant policies are being formulated to encourage farmers and herders to build restaurants and family inns with local features.

On Zeng's social media account, he posts news related to gaubau kender and videos about the charm of Gobi Desert's four seasons, showing his love for the land he is bound to.



A tourist in ethnic costume walks among gaubau kender flowers in Altay in northwest China's Xinjiang Uygur Autonomous Region on June 15, 2016 (XINHUA)

Bearing fruit

Xinjiang's poverty alleviation programs yield tangible results

By Wang Hairong



Villagers taste sweet melons harvested from a field in Kara Yar Village, Kashgar Prefecture, northwest China's Xinjiang Uygur Autonomous Region (COURTESY PHOTO)

What do naan bread, paintings drawn with soldering irons, exquisite handmade tamburas, elaborately embroidered garments, edible fungi, raisins, melons and home-baked cakes have in common? They were on display at the sixth China-Eurasia Expo held in Urumqi, capital of northwest China's Xinjiang Uygur Autonomous Region, on August 30 and September 1. They also shared a common origin: They were all products of poverty alleviation programs in Xinjiang.

In recent years, Xinjiang has launched many targeted anti-poverty programs. In 2017, 317,400 people in Xinjiang were lifted out of poverty, and 331 villages and three counties were taken off the poverty list. The poverty incidence rate dropped from 15.5 percent in 2016 to 12.6 percent, according to the autonomous region's poverty alleviation and development office.

Since 2014, government organs, state-owned enterprises and public institutions in Xinjiang have sent task groups to villages and communities to help local residents eliminate poverty, improve infrastructure and strengthen cultural and educational work. With the help of these groups, many achievements have been made.

Bread earners

May Yi Village in Artux City had 406 poor households, accounting for 47.7 percent of the population before a rural cooperative specializing in baking naan was set up in the village in March.

The cooperative employed 25 poverty-stricken people, turning them into bread earners for their respective families, said Wang Xuanwei, the village head and member of a poverty reduction group. "Now we produce 4,500-6,000 pieces of naan every day. Employees can make 3,000 yuan (\$433) a month on average," he said.



Naan baked by a rural cooperative in Mayi Village, northwest China's Xinjiang Uygur Autonomous Region, sells at the sixth China-Eurasia Expo in Urumqi on August 30 (WANG HAIRONG)

Naan, the size of basins produced by the cooperative, is particularly impressive. Every bread in a batch bears a different Chinese character at its center, and together they spell out "ethnic unity." In addition to these large ones, the cooperative produces naan of various sizes.

They are not only sold locally. The cooperative brought their naan to the sixth China-Eurasia Expo, where it reached agreements with companies in other Xinjiang cities such as Urumqi and Changji, and provinces such as Guangdong and Shaanxi to ship the bread to them by air to meet market demands.

Golden eggs

Standing beside a basket holding two huge yellow melons, Wang Peng, an official with the General Office of the Government of Xinjiang Uygur Autonomous Region, told *Beijing Review* during the expo that the highly sweet fruit has become a significant source of income for growers.

A photo behind him showed the large egg-shaped melons at harvest, freshly plucked from their vines and piled in the fields in Kara Yar Village in Kashgar Prefecture, ready to be shipped out to market.

Wang said that when he was sent to the village as part of a poverty alleviation group in March 2017, the villagers mainly made a living from growing wheat and corn, earning a meager income. While trying to figure out a way out of poverty, the group found that the village, which lies near the edge of the vast Taklimakan Desert and has abundant sunshine and a big day-and-night temperature variance, is particularly favorable for growing melons.

The group consulted with agricultural experts, who recommended a melon variety nicknamed the Golden Phoenix, which is known as being fast-maturing and disease resistant.

After receiving training from the experts, five households planted the fruit in 1.3 hectares. Although disease reduced the expected yield by two thirds, they still made more money than when they planted corn.

This year, 20 households planted 6.7 hectares of the melon, which are expected to generate an income of nearly 550,000 yuan (\$79,375), enough to lift them out of poverty.

As ways to enrich local farmers are explored, plant species not indigenous to Xinjiang have been introduced into the region, such as black edible fungi. The fungus, literally meaning "black wood ears," is a common ingredient in Chinese dishes prized for its medical value such as resisting blood coagulation and lowering blood lipids.

Ayagesa Village in Hotan Prefecture has 16 greenhouses for growing the fungi, one plant for producing fungi bags and a workshop for packaging dried fungi. Thirty poverty-stricken households are engaged in the business and can produce about 15 tons of fungi annually.

"The weather is suitable for the cultivation of black edible fungi in Xinjiang," Huang Xiong, an official with the Food and Drug Administration of Xinjiang, told *Beijing Review*. "Trial cultivation started last winter and mass production began in the spring.

A technician from Mudanjiang City in Heilongjiang Province in the northeast was invited to the village to provide technical assistance." He said that it took fungi, sown onto the sawdust of walnut and apricot trees, six months to ripen. The first batch weighed 5 tons and procured impressive profits.

Photos of the production process displayed at the expo showed the fungi growing in rows of cylinder-shaped white fungi bags with ventilating holes. The white bags are neatly arrayed on the floor of greenhouses. After they ripen, they are picked and dried on shelves.

Zhang Shufang, a resident in Urumqi, bought several bags of edible black fungi from Ayagesa's booth at the expo. She said that she eats black edible fungi every other day because she believes that it can clear impurities in the blood.

Multi-pronged assistance

There were more than 100 booths set up for the first time at the sixth China-Eurasia Expo to showcase Xinjiang's achievements in eliminating poverty.

Since 2014, the State Grid Xinjiang Electric Power Co. Ltd. has sent four poverty alleviation groups to Cele County in Hotan.

The company has also installed solar power

Major events in October

October 8: [China launches blockchain pilot zone](#)

Keywords: blockchain; Hainan; pilot zone

China's first blockchain pilot zone was launched in south China's Hainan Province on October 8.

Based in Hainan Resort Software Community (RSC), the zone includes a blockchain research institute, which was jointly established by RSC and University College Oxford Blockchain Research Centre at Oxford University.

October 9: [China to channel more energy into mass entrepreneurship and innovation](#)

Keywords: Li Keqiang; mass entrepreneurship and innovation; negative list

China will channel more energy into mass entrepreneurship and innovation to push forward high-quality development, said Premier Li Keqiang in a written instruction to the opening ceremony of the national mass entrepreneurship and innovation week, held on September 9 in Chengdu.

October 11: [Official upbeat on steady 2018 growth](#)

Keywords: Ning Jizhe; steady; economy

China's economy is set to continue its steady run for the rest of the year despite lingering market headwinds, said Ning Jizhe, Deputy Head of the National Development and Reform Commission.

October 14: [Book of Xi's discourses on building a community with a shared future for humanity published](#)

Keywords: Xi Jinping; shared future

A book of Xi Jinping's discourses on "promoting the building of a community with a shared future for humanity" has been published by the Central Party Literature Press and will be distributed across the country in October 14.

October 18: [Xi sends congratulatory letter to Taihu World Cultural Forum Annual Conference](#)

Keywords: Xi Jinping; letter; Taihu World Cultural Forum Annual Conference

Chinese President Xi Jinping sent a congratulatory letter to the fifth annual conference of the Taihu World Cultural Forum which opened in Beijing on October 18.

October 24: [Xi stresses building pilot FTZs toward new heights of reform, opening up](#)

Keywords: Xi Jinping; FTZ; new heights

President Xi Jinping has called for building the country's pilot free trade zones (FTZs) toward new heights of reform and opening-up in the new era. Xi made the remarks in an instruction on the development of pilot FTZs.

October 29: [Leaders of 18 countries to attend China's 1st import expo](#)

Keywords: Xi Jinping; CIIE; Shanghai

At the invitation of Chinese President Xi Jinping, leaders of 18 countries will attend the first China International Import Expo (CIIE) which runs from November 5 to 10 in Shanghai, a Foreign Ministry spokesperson announced on October 29.

October 31: [China advances to global top 50 in business climate](#)

Keywords: business climate; China; top 50

China is now one of the top 50 economies in the world for ease of doing business, due to a record number of reforms carried out last year, according to the World Bank Group in its annual doing business report released October 31

generation equipment, street lamps and electric heating systems for the villages receiving its help.

Its poverty reduction groups help villagers develop modern green agriculture, such as planting jujube trees, processing walnuts into oil and making rose jelly, which is improving the quality and value of agricultural products. The income from the projects is either distributed among villagers or reinvested to expand production.

They also organize job fairs, recruit people to do jobs such as picking cotton in rural cooperatives and deliver training by, for instance, inviting vocational school teachers to train villagers in welding and other skills.

Efforts have also been made to improve villagers' living and production conditions. For example, the anti-poverty workers help villagers replace their adobe beds with modern wood beds. They teach villagers to improve their quality of life by growing vegetables and cash crops, instead of just letting grass and trees grow in their yards. They also open charity supermarkets and donate clothes to villagers.

During the expo, deals were signed to sell the products of Xinjiang's poverty alleviation programs to other markets at home and abroad, generating more income for producers and proving to be a successful means of highlighting the region's advancements.