Quarterly chronicle and documentation

(October–December 2006)

Sources

The principal sources of information on which this chronicle is based are British Broadcasting Corporation, Monitoring Global News line – Asia-Pacific Political and British Broadcasting Corporation, Monitoring Global News line – Asia-Pacific Economic. These sources, now only available electronically, do not have reference numbers and are only identifiable by date of publication of material. The inclusion of each of these dates would unnecessarily clutter the text and such dates have therefore been omitted, except, at many points, for the original sources from which the BBC reports themselves are taken.

Abbreviations

XHNA	Xinhua (New China) News Agency
CNA	Central News Agency (Taipei)
RTHK	Radio-Television Hong Kong
ZTS	*Zhongguo tongxun she (China Reporting Agency)*, Hong Kong
ZXS	*Zhongguo xinwen she (China News Agency)*, Beijing
RMRB	*Renmin ribao (People's Daily)*
SCMP	*South China Morning Post*

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1. Internal Developments

a *The Sixth Plenum of the 16th China Communist Party Central Committee (CCPCC)*

The Sixth Plenum opened in Beijing on 8 October. The core of the agenda was the building of a "harmonious socialist society" in China and discussions of what was subsequently published as the CCPCC's "Decision on several major issues concerning the building of a harmonious socialist society" (see also below).

A report on the *Ta kung Pao* [*Dagong bao*] website suggested that the Sixth Plenum would focus on four main issues. The first was the need for greater harmony between different social groups – a goal which was contingent not only on raising living standards and improving income distribution, but also on providing more outlets for the expression of views on social and political conditions. The second issue related to social welfare and was captured in the expected prioritization of improved access to education, health, medical care, housing and employment. Next, the Party would give renewed attention to the need for continued improvements in its work style, as well as in continued efforts to shift the emphasis of government work from direct involvement in production and economic operations towards social administration and "public service." Finally, an important goal would be to improve co-ordination and harmonization between the activities of central and local governments in order to halt a tendency whereby "government orders never go beyond Zhongnanhai" (Hong Kong, *Dagong bao*, 9 Oct.).

Xinhua described the most recent plenary session as unprecedented in terms of its primary focus on *social*, rather than economic and political development. The Communiqué issued at the conclusion of the Plenum (full text available in "Quarterly Documentation" below) recognized that alongside the attainment of "a harmonious society in general," China faced "quite many contradictions and issues that impair social harmony." Accordingly, the CCP had determined to focus, in the coming 15 years, on making improvements in human rights and the "democratic legal system," as well as in enhancing welfare through the attainment of more equal and equitable income distribution, increased employment and more effective social welfare arrangements. If these and other allied goals – for example, environmental improvements, better public order and enhanced "moral standards" – were to be fulfilled, greater efforts would need to be made in order to

> "co-ordinate economic and social development, promote social equity and justice, form a set of common aspirations, ideals and moral codes for the whole society, strengthen social affairs management and services, and create harmonious social relations for the unity of all the Chinese people."

Inherent in the entire exercise was also the need to create new values, based on a "socialist core value system and the socialist concept of honours and disgraces." This required the CCP to fulfil its leading role in a responsible and effective manner. In particular, *local* Party committees must look to themselves in order to "sharpen political sensitivity" and strengthen their

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investigative role in order to deal with "prominent contradictions and issues that affect social harmony in their localities" (XHNA, 11 Oct.).

On 20 October Xinhua provided a summary of the "Decision of the CCP Central Committee on the several major issues concerning the building of a harmonious socialist society" (Decision – full text in "Documentation" under (c) below), adopted at the Sixth Plenary Session of the 16th CCPCC.

The document defined a harmonious socialist society as "a harmonious society jointly built and shared by the whole people under the leadership of the CCP on the road of socialism with Chinese characteristics." Central to its formulation was the belief that "social harmony is an essential attribute of socialism with Chinese characteristics." The implied link between welfare issues (social harmony) and ideology (socialism) was further captured in the claim that the "Decision" had formulated a new concept – that of a "socialist core value system." The essential originality of the new approach lay in the unprecedented prioritization of "harmony" alongside the other central objectives of socialist modernization – viz. "prosperity, democracy, and civilization." Inherent in it was the need to shift China's prime developmental focus towards welfare concerns. Accordingly, greater efforts would be made to address problems associated with the previous unbalanced thrust of economic growth, whether viewed from a regional or sectoral perspective.

In pursuit of fulfilment of the new goal, governments – local, as well as central – were enjoined to shift the focus of infrastructural construction and social welfare activities towards the countryside. This was regarded as a major change in emphasis, highlighting a determination to make rural regions the priority focus of educational, health, scientific and technological, and cultural undertakings. In accordance with this shift in emphasis, the government would raise the share of land transfer funds destined for rural areas from the excessively low level at which it currently stood. In turn, farmers who had lost their land, or whose land had been requisitioned, would benefit by receiving a larger share of government revenue generated by land transfers.

Central too to the new development thrust was the attainment of more "harmonious labour relations." To this end, the "Decision" stressed the need to improve mechanisms designed to achieve more effective labour relations by guaranteeing the full payment of wages and salaries on time, by enhancing labour security supervision, by providing proper mediation and arbitration methods to deal with labour disputes, and by safeguarding workers' – especially farmers' – legitimate rights and interests.

Another priority was to improve the distribution of public services within the population to the particular benefit of those in the countryside ("public services currently enjoyed by ordinary urban residents are a remote thing to the overwhelming majority of rural residents"). Fulfilment of this goal would require improvements in public finance, with special emphasis on the need to restructure financial revenues and spending, and increase investment in public service undertakings (including health, education, employment and re-employment, social security, environment, public security, etc.). By such means, a basic health-care system, affording universal and affordable access

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to health care for all urban and rural residents, would be brought in to being. By such means, universal social security insurance would also be put in place. In these ways, urban-rural and inter-regional welfare disparities would be narrowed.

"Political structural reform" was another important part of the new ethos. Thus,

> we shall facilitate political structural reform in a positive and steady manner; improve the country's democratic system; enrich the forms of democracy; realize the goal of systemizing, regularizing, and routinizing socialist democratic politics; and guarantee that the people are entitled to extensive democratic rights.

Finally, institutional initiatives would be undertaken in order to provide mechanisms "for interest co-ordination … for complaints and appeals … for contradiction mediation and handling, and … for rights and interests protection." (See also XHNA, 26 Oct. and 1 Nov. for further consideration of the rationale and policy implications of the "Decision.")

b *The 24th and 25th Sessions of the Tenth NPC Standing Committee*

The 24th session of the NPC Standing Committee (NPCSC) took place in Beijing on 27–31 October. Delegates examined the most recent draft of the law on the protection of private property, designed to provide legal protection to "state, collective and private property." The controversial nature of the legislation was reflected in the fact that it was the sixth time NPCSC members had examined the draft law – more than any other previous law brought before the Standing Committee. The draft had originally been brought before the Committee in 2002. It was withdrawn from the full session of the parent NPC in March 2006, following concerns that the proposed legislation, through its efforts to protect private ownership, might undermine China's socialist system. The sixth reading of the law followed successful efforts by the drafters to restore state ownership rights at the very centre of China's economic system (XHNA, 27 Oct.).

Legislation designed to offer more effective protection to the business interests of farmers was endorsed by NPCSC members. The law, effective as of 1 July 2007, would require China's 150,000 rural economic co-operatives to establish an account for each of their 23 million members and "define their individual financial rights as a basis for sharing profits and liabilities." It would also provide for the prosecution of co-operative officials suspected to having misappropriated or embezzled co-operative funds (XHNA, 31 Oct.).

Delegates at the 24th session also ratified the "Good-neighbourly Treaty of Friendship and Co-operation" between China and Afghanistan, originally signed by Chinese President Hu Jintao and President Hamed Karzai in Beijing in June 2006. The Deputy Foreign Minister (Yang Jiechi) explained that the document provided for enhanced military and security co-operation between the two countries, as well as an expansion of economic and other exchanges (XHNA, 31 Oct.).

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The 25th NPCSC meeting took place between 24 and 29 December. It voted in favour of the adoption of a revised law on the protection of minors, scheduled to take effect on 1 June 2007. Under this law, teachers and other school staff were enjoined to show proper respect to children at school, and were prohibited from applying corporal punishment or humiliating them. The new legislation also sought to control the length of study time and level of workloads in schools, as well as to protect children's personal safety (XHNA, 29 Dec.).

NPCSC delegates also voted to submit the draft Property Rights Law and the draft Enterprise Income Tax Law to the next (fifth) session of the 10th NPC for deliberation. In a speech to the Standing Committee, Wu Bangguo (Chairman of NPCSC) was at pains to stress the importance of both sets of legislation. He pointed out that the draft Property Rights Law had already been reviewed six times, as a result of which major revisions had been made. As a result of such prolonged discussion and accompanying amendments, the draft legislation reflected "the collective wisdom of the Standing Committee members, NPC deputies, experts, academics, and the large numbers of the masses" (*ibid.*).

c *Party and Political Affairs; Ideological Developments*

In the wake of the call at the Sixth Plenum of the 16th CCPCC's demand for more effective Party discipline and work style, a Xinhua commentator drew attention to the damage caused by factional activities within the Party. It noted that the establishment of inner-party "small circles" posed a threat to fulfilling the core principle of democratic centralism, undermined Party unity and helped facilitate corrupt practice. Thus,

> Once a "small circle" is formed, the leading cadre at the centre of the "circle" often makes appointments by favouritism and gives priority to his "small circle" "buddies" whom he considers dependable. He does not select any people outside his "circle," regardless of how virtuous and capable they may be. In certain localities with a serious "small circle" issue for some time, some cadres do not take pride in being capable and knowledgeable or in doing solid work; they set their sights instead on gaining access to a certain leading cadre's "circle" and even regard connection with the [leader's] favourite follower within the "circle" as an investment. … Inner-party "small circles" are also the breach points for some lawless people in society seeking unlawful benefits. In the "small circles" of a few leading cadres, party discipline and state laws are replaced by gangsterism, peremptoriness, and the code of brotherhood; rules and regulations become trifling matters; and polices and principles can all be capitalized on by people within the circles to seek personal benefits through the abuse of power.

The key to resolving such problems lay in upholding and strengthening democratic centralism within the Party. Where violations had taken place, remedial action must be taken. The selection and appointment of cadres should be based on methods of "inner-party democracy" in order to guarantee fairness and objectivity. Job exchanges among cadres were also viewed as a means of guarding against the proliferation of "small circles" (XHNA, 13 Oct.).

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d *Social and Legal Affairs*

In a comment in advance of the 16th CCP Central Committee's plenary session, Xinhua stressed the importance of achieving an appropriate balance between the forces of market competition and the establishment of mechanisms to fulfil social equity. The importance of this task was reflected in statistics that showed that in 2004–2005 the disposable income of 10 per cent of China's richest households was more than 800 per cent greater than that of 10 per cent of its poorest households, and 60 per cent of urban residents had a disposable income that was less than the national average. The commentary suggested a national (urban plus rural) Gini Coefficient of 0.465. It also highlighted the existence of "serious structural contradictions," reflected in the "urban-rural dual structure" of society. Thus, in 2004, 58.2 per cent of China's rural population, or 46.9 per cent of its farm work force, generated a mere 13.1 per cent of GDP (XHNA, 4 Oct.).

It was announced that government measures, designed to improve rural infrastructure and social services, would be implemented in order to help remove 148,000 villages from poverty by 2010. The importance of this task was highlighted in the finding that these villages contained 80 per cent of China's poor. Despite the success of China's poverty-reduction policies – more than 100 million people had been lifted out of poverty since 1986 – there were still 2.365 million people who lacked food and clothing, and a further 4.067 million who lacked regular supplies of these necessities (XHNA, 17 Oct.).

In October the State Population and Family Planning Commission (SPFPC) announced a new family planning policy, whereby farmers would receive financial rewards in exchange for having fewer children. Specifically, parents of each one-child rural family, as well as those with two daughters, would be given an annual payment of 600 yuan on reaching the age of 60. The decision followed the successful implementation, since 2002, of a pilot programme embracing 1.35 million senior citizens in 23 Chinese provinces and regions.

The new approach differed from existing practice, whereby farmers who exceeded the official ceiling were penalized through the imposition of fines. The SPFPC announcement emphasized, however, that the system of fines would remain in place (XHNA, 16 Oct.).

On 12 December, the Information Office of the State Council published a White Paper on China's aged population ("The Development of China's Undertakings for The Aged": see XHNA, 1 Dec.). It noted that at the end of 2005, there were almost 144 million people in China over the age of 60 – some 11 per cent of total population – and that this age group was expanding by 3 per cent a year. Of these, 16 million were over 80, many of whom had no children living near them. Survey data indicated that around seven million out of 145 million elderly hoped to live in nursing homes. Yet at the end of 2005 there were a mere 1.5 million beds available for the aged.

With nearly 60 per cent of elderly people living in rural areas, the government was exploring how to establish an old-age security system in the *countryside*. The White Paper revealed that as of the end of 2005, 1,900

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counties in 31 provincial-level units had set up old-age social insurance systems. Over 54 million farmers were covered and cumulative insurance funds totalled 31 billion yuan. More than three million farmers were currently in receipt of pensions. For China as a whole, the number of people participating in "basic" old-age insurance schemes was 175 million, 43.67 million of whom were retirees.

By 2020, the ratio between active employees and retired would have reached 2.5:1. This compares with figures of 10:1 in 1990, and 3:1 in 2003. The challenge for health inherent in such figures was a considerable one, since the medical resources consumed by the elderly were between three and five times greater than that of other age groups.

A National Bureau of Statistics (NBS) survey offered interesting insights into rural migrants' aspirations and the reality of their living conditions. It revealed that more than 40 per cent of almost 30,000 respondents identified higher urban living costs as their biggest problem. This finding was hardly surprising, given that the average per capita monthly income of half of migrant workers was below 800 yuan – and less than 500 yuan for 19.7 per cent of them. Other major concerns reflected the lack of access to social security protection in the face of job loss and ill health. Respondents made clear their hope that government assistance would be forthcoming to ease housing and health pressures (XHNA, 25 Oct.).

SPFPC's Deputy-Director (Wang Guoqiang) reported that China's migrant population had reached 150 million, or 11.5 per cent of its total population. Wang noted that more than 80 per cent of migrants were rural people looking for jobs in cities. He also revealed that in 2005, there were 31.9 million migrant women of child-bearing age (XHNA, 29 Oct.).

It was reported that Sichuan was the largest source of migrants in China. In 2005, 6.13 million people – most of them, low income earners – had moved out of the province, the most popular destinations being Guangdong, Zhejiang, Fujian, Jiangsu and Shanghai. Most of the migrants who found jobs in cities were employed in unskilled work as construction workers, maids, waiters and waitresses, and vegetable sellers (XHNA, 5 Oct.).

The parlous state of environmental conditions in China was highlighted in a Xinhua report (11 Dec.). It noted that one year after China's damaging toxic spill in the Songhua River, water pollution incidents continued at an alarming rate – according to the State Environmental Protection Administration (SEPA), there had been one such incident every two or three days since the Songhua spill. Indeed, "China's rivers, lakes and reservoirs are still being used as free, public gutters, where factories willy-nilly dump unprocessed liquid waste." SEPA estimated that in 2005, some 30 billion tons of polluted water had been dumped into the Yangtze (Chang) River – 50 per cent more than in 1998. As a result 27.5 per cent of the river's water was now seriously polluted and unfit for drinking. In 1998 the corresponding figure had been 20 per cent (on pollution of the Yellow River, where two-thirds of the water was described as undrinkable, see XHNA, 13 Dec.).

The Vice-Director of SEPA (Pan Yue) noted that those held responsible for such accidents almost invariably defended themselves in terms of the conflicting pressures to which they were subjected ("almost all the pollution-

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generating projects are connected with economic growth and regional development''). He added that

> With their fixation on dollars-and-cents development, officials are accustomed to hiding their environmental protection responsibilities under the cloak of ''economic development imperatives.''

The reality was that provincial governments tended still to regard economic indices as the key criterion on which their performance was assessed. Thus, the fact that overall pollution discharges continued to rise during January–September 2006 was mainly attributable to the ''indiscriminate choice of economic projects.''

In the first half of 2006, China failed to fulfil its environmental protection targets. Far from having fallen as planned, pollutant levels had risen – in the case of industrial polluted water discharges, by 2.4 per cent to 12 billion tons; in the case of sulphur dioxide discharges, by 4.2 per cent to 12.7 million tons.

Perhaps the most dramatic symbol of China's grim environmental situation was that under the tenth Five-Year Plan (2001–2005), pollution control was the only national economic development goal that remained unfulfilled.

The State Environmental Protection Administration (SEPA) announced that the introduction of new motor vehicle emission standards, equivalent to the EU's Euro III standards, was expected to reduce automobile pollutants by 30 per cent in 2007. Even more stringent requirements, matching those of Euro IV, would be introduced in 2010. The importance of such measures was highlighted in the finding that in some large cities (for example, Beijing), motor vehicles had now become the major source of air pollution. It was expected that the measures would not only have a favourable environmental impact, but would also enhance the international competitiveness of Chinese car producers by encouraging them to upgrade their technological levels (XHNA, 8 Oct.).

Following a report by the National Audit Office (23 November), which revealed the embezzlement of some 7.1 billion yuan out of 2 trillion yuan of national social security funds, in December the Ministry of Labour and Social Security ordered local governments to make up the shortfall out of their own resources. The misuse of the funds was said to have been the result of expropriation for purposes of ''overseas investment, commercial loans to companies, construction of government buildings and other purposes.'' Liu Yongfu (Deputy Minister of MOLSS) placed the blame for the loss on ''[l]abour and social security departments, subordinate to their local governments.'' It was revealed that MOLSS had ordered that all social security funds henceforth be deposited in discrete accounts, and that local labour and social security departments had been told to formulate plans for improved fund management by the end of the year (XHNA, 3 Dec.).

e *Economic Affairs*

The 2006 Central Economic Work Conference (CEWC) took place in Beijing in December. Against the background of a trade surplus of US$133.62 billion in January–October 2006 and record foreign exchange reserves – the

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largest in the world (c. US$1 trillion) – it was recognized that China faced serious trade disputes and was under pressure to appreciate the *renminbi*. Accordingly, among the policies set out for 2007, achieving balanced international payments would be a major priority. It was also reported that efforts to expand exports and overseas investment would be intensified. The UN *World Investment Report* for 2006 indicated that China's outward investment in 2005 was almost US$12.3 billion – a mere 0.59 per cent of global foreign investment (XHNA, 7 Dec.).

A *ZXS* report (7 December) stated that those attending the CEWC had decided that the policy of "stable regulation and control," in effect during the previous two years, would be maintained in 2007. Efforts would also be made to achieve more "harmonious co-ordination" of the fiscal, monetary, industrial, land and social development policies in order "to develop better and faster and in a more balanced and co-ordinated manner." As an official of the National Information Centre put it,

> Next year [2007], stability will be the main theme of the policy on macroeconomic regulation and control, as the objective in maintaining stability in the policy on macroeconomic regulation and control is to maintain and expand the excellent momentum in economic development and prevent huge fluctuations.

The ZXS report was confident of China's ability to maintain GDP growth of at least 7.5 per cent p.a. during the coming five years. But it also conceded that concealed in China's rapid growth momentum was "a host of imbalances," including widening inter-sectoral and inter-regional gaps, and the "still extensive" nature of China's economic growth mode Environmental pollution, energy and agriculture had also emerged as weak links in the economy, while the "lag in institutional reform" impeded economic advance (on the outcome of the CEWC, see also *RMRB*, 11 Dec.).

Against the background of a remark made at the CEWC about the "exceptionally arduous" nature of the combined task of conserving and reducing energy consumption, it was reported that discussions were taking place about a new "energy conservation and emission reduction" programme, designed to facilitate the 11th Five-Year Programme's target of reducing the national energy consumption per unit of GDP by 20 per cent by 2010 – a goal considered to be critical to economic restructuring, improving economic efficiency and transforming China's growth mode.

Alongside 10 per cent GDP growth in 2006, the authorities faced increasing difficulties in improving energy conservation and use, and in addressing the challenges of ecological and environmental protection. For example, NBS data showed that in the first half of 2006 energy consumption per unit of GDP had risen, as had emissions of main pollutants (see also below on continuing environmental concerns). During January–September, coal and electric power production had continued to outpace GDP growth. In short, it was unlikely that the goal of cutting energy consumption by 4 per cent would be realized. This was why the CEWC had ranked energy conservation and ecological-environment protection as the third most important task, after macro regulation and control and the construction of "new rural areas" in 2007 (XHNA, 14 Dec.).

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Later in December, the annual Central Rural Work Conference (CRWC) took place in Beijing. Its principal message was that transforming and modernizing agriculture was the core task in the rural sector. The CRWC issued three "major signals" on agricultural and rural development, as follows (see XHNA, 23 Dec.):

- First, fulfilling the task of agricultural modernization was a core objective of the strategy to construct a "new countryside." Traditional agriculture was no longer equipped to address the many challenges faced by farmers. Hence the need to transform farming into a system characterized by higher labour productivity, higher resource utilization rates and a higher degree of commercialization of output. The application of science and technology had already been identified as one of the main ways by which this goal might be achieved, and this thrust would continue to characterize agricultural policy in the future.
- Second, maintaining increases in grain production and in farmers' incomes must continue to assume a high priority within China's agricultural strategy. The National Development and Reform Commission had already indicated that farmers' per capita net income would rise by 300 yuan in 2006, while the Ministry of Agriculture was predicting a further increase in grain output. These were encouraging signs, but care was needed not to view them with unguarded optimism. For one thing, the rise in grain production of the last three years represented recovery, not net growth. For another, improvements in farm incomes mostly reflected the "blood transfusion" impact of the agricultural support policy, rather than the effect of agriculture's own "inherent growth channel," which remained "narrow." This was the background against which a spokesman for the Ministry of Agriculture had admitted that "the basis of increases in grain production and the farmers' incomes is not stable enough." Accordingly, future policy must continue to embrace implementation of the "four subsidies" (i.e. the provision of direct subsidies to grain farmers, and subsidies to encourage the cultivation of superior grain varieties, as well as for farm machinery). Insurance premium subsidies should also be made available to farm households who participated in the agricultural policy-related insurance scheme.
- Third, efforts must be intensified to resolve the "'lame duck' issue in rural social undertakings development." To this end, three "high gold content" policies were to be implemented in 2007 in order to provide greater protection of farmers' personal interests. These were: to give free education to 148 million elementary and secondary school pupils in the rural sector (including exempting them from school fees and "miscellaneous charges"); to establish a minimum living allowance throughout the rural sector; and to introduce a new kind of "rural co-operative healthcare" in 80 per cent of rural counties and cities. It was hoped that this last measure would alleviate difficulties associated with the high costs of health treatment and medicines – "a problem that has long troubled the farmers."

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- The CRWC also announced that in line with the aim of establishing a "socialist harmonious society," subsistence allowances would be established for rural poor throughout China. Such a scheme had been set up since 1997 in some developed regions, such as Guangdong and Zhejiang provinces, but this would be the first time that the initiative had been undertaken on a national basis. According to data published by the State Council's Leading Group of Office of Poverty Alleviation and Development, in 2005 there were 23.65 million rural poor (defined in terms of an annual income below 683 yuan p.a.) – 5.62 million fewer than in 2001 (*ibid.*).

Chen Mingde, a senior member of the Chinese People's Political Consultative Conference (CPPCC), claimed that the Chinese government would face a "severe" employment crisis during the coming five years, as 34.5 million people entered the labour market between 2006 and 2010. Accommodating the expected employment pressure was, said Chen, essential to the creation of a "harmonious socialist society." He added that 25 million new job-seekers were expected to materialize in 2007: eleven million of these might find employment in the urban sector, leaving the remaining 14 million without jobs. Against this background, Chen called on local governments to make job creation their top priority, and to this end urged them to expand both the service sector and small and medium-scale enterprises. He also called for creative funding mechanisms – loans, risk funds, investment guarantees – which would facilitate an increase in the numbers of self-employed (XHNA, 16 Oct.).

Subsequently, the Ministry of Labour and Social Security stated that the Chinese government's goal was to keep the rate of registered urban unemployment below 5 per cent during 2006–2010 (0.8 per cent higher than at the end of 2005). Concealed in this figure was the need to find jobs for an additional 45 million people (cf. above) expected to leave the rural sector (XHNA, 8 Nov.).

The Vice-Director of the State-owned Assets Supervision and Administration Commission (SASAC) stated that China would cut the number of state-owned enterprises (SOEs) under the control of the central government by almost half by 2010. Following further restructuring, it was expected that 80–100 of the current 161 central government SOEs would remain by that date (XHNA, 6 Dec.).

The impact of fiscal initiatives on behalf of China's farmers was highlighted in a report of the Chinese Ministry of Agriculture, which indicated that in 2006 each Chinese farmer would enjoy an extra 140 yuan of income as a result of tax savings. Pro-farmer policies implemented in 2006 included the disbursement of 14.2 billion yuan of direct grain subsidies and 12.5 billion in other kinds of subsidy (XHNA, 17 Oct.).

The State Environmental Protection Administration (SEPA) reported that 37.1 per cent of China's land area – some 3.56 million sq. km – suffered from soil erosion, with about five billion tons of soil being eroded each year. About 10 million hectares of arable land – most of it in developed regions in the east of the country – was said by SEPA to have been polluted by

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chemical fertilizers, pesticides, plastic films or dirty water. Meanwhile, between 1998 and 2005 7.6 million hectares of arable land had been lost – 1.42 million as a result of encroachment through construction (XHNA, 11 Nov.).

It was reported that between January and September 2006, the share of bad loans in the loan portfolio of the Agricultural Bank of China (ABC) had fallen by 2.68 per cent to 23.49 per cent. Concealed in this figure was the elimination by ABC of 7.82 billion yuan of outstanding bad loans during this period (XHNA, 2 Nov.).

The China Banking Regulatory Commission (CBRC) reported that in September 2006 the total assets of foreign-funded banks in China reached US$105.1 billion, accounting for 1.9 per cent of all the assets held in all banking institutions in China. Outstanding loans and deposits of such banks totalled US$33.4 billion and US$54.9 billion, respectively. As of the same date, 14 foreign-funded or joint-venture banks had been registered in China, with 17 subsidiary banks or other affiliated institutions. In addition, 73 banks from 22 countries/regions had established 191 branches and 61 sub-branches in 24 Chinese cities, while 183 banks from 41 countries/regions had set up 242 agencies. This information was made available in advance of the full opening, on 11 December, of China's banking industry in accordance with its WTO accession regulations (XHNA, 16 Nov.).

The Ministry of Commerce revealed that China's planned foreign trade growth for 2006–2010 had been set at 10 per cent – 14 per cent below the annual average rate of increase during 2001–2005. The planned reduction in growth was said to reflect a determination to shift from mere expansion of foreign currency reserves towards a strategy based on "healthy and more profitable expansion." If the target were fulfilled, the value of China's foreign trade would reach US$2,300 billion in 2010. Concealed in the plan was the goal of raising private companies' share of export proceeds from 15 per cent (2005) to 35 per cent. It was hoped too that rapid service trade growth would enable the service sector to generate a trade value of US$400 billion by 2010 (XHNA, 11 Oct.).

In November the National Development and Reform Commission (NDRC) issued its 11th Five-Year Plan (2006–2010) on the utilization of foreign investment. Its central theme was the need to shift the associated policy priority from increasing the scale of FDI to improving its *quality*. The document noted that under the Tenth Five-Year Plan (2001–05) China had utilized US$383 billion, of which FDI accounted for US$286 billion (75 per cent), stock issues US$38 billion (9.9 per cent), and foreign loans US$46 billion (12 per cent). It was critical of some local governments in China for "blindly seeking" foreign investment even in opposition to official central government industrial policy. It also condemned foreign investors for their abuse of IPR protection laws – something that had "adversely affected Chinese enterprises' capacity for independent innovations" – and warned against the threat to China's economic security posed by emerging monopolies under foreign control.

In support of the plan's emphasis on improving the quality of foreign investment, the document made clear that the future priority should be

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placed on "the introduction of advanced technologies, management expertise and high-quality talents, rather than the use of foreign capital," as well as on investment that had a positive environmental impact and helped improve the efficiency with which natural resources were used. In regional terms, it called for greater foreign investment in western and north-eastern China. Sectoral priorities were expected to include agriculture, electronics and information, petrochemicals and chemicals, automobiles and infrastructure, although overseas investors would also be encouraged to assist in the restructuring of "traditional" industries (e.g. textiles and other light industries, machine building, raw materials and construction). The document reaffirmed China's commitment to fulfil its WTO obligations by opening its service sector – especially banking, insurance, securities and telecommunications – "in a positive and prudent manner" (XHNA, 9 Nov.).

A report noted that following major recent economic recovery, the Northeast contained the fourth-largest regional economy in China after the Pearl River delta, the Yangtze River delta and the Bohai Gulf region. In 2005 alone, urban residents in Liaoning, Jilin and Heilongjiang had experienced a 38 per cent rise in income, while utilized foreign investment increased by 87.7 per cent to reach US$6.26 billion. Even so, per capita GDP in the Northeast was still only about one-third of that of the Pearl River delta (XHNA, 14 Nov.).

Following an executive meeting of the State Council (8 December), approval was given to the 11th Five-Year programme (2006–2010) for the development of China's western region. The document called for new infrastructural and ecological initiatives, including improvements to transport and water facilities. A Xinhua comment noted that efforts to encourage growth in the West, implemented since the initiation, in 2000, of the "Open up the West" strategy, had been impeded by infrastructural barriers to investment. Under the new programme, it was hoped that in addition to increasing central government expenditure, western regions would benefit from greater involvement by foreign investors and increased cross-border trade (XHNA, 8 Dec.).

On 12 October, the State Council's Information Office published a White Paper under the title, "China's Space Activities in 2006" (full text in XHNA, 12 Oct.). It contained five main sections, as follows:

I. Aims and Principles of Development
II. Progress Made in the Past Five Years
III. Development Targets and Major Tasks for the Next Five Years
IV. Development Policies and Measures
V. International Exchanges and Co-operation

f *Military Affairs*

On 29 December China published a White Paper on national defence – the fifth of its kind since 1998 (see XHNA, 29 Dec. for full text). It reaffirmed China's determination to pursue "peaceful development" and to join other countries in building a "peaceful, prosperous and harmonious world." It insisted on the defensive stance of China's national defence strategy, and

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highlighted the government's desire not to engage in military competition with other countries:

> China's national defence provides the guarantee for maintaining China's security and unity, and realizing the goal of building a moderately prosperous society in an all-round way. … China is pursuing a self-defensive nuclear strategy. It remains firmly committed to the policy of no first use of nuclear weapons at any time and under any circumstances. … China will not engage in any arms race or pose a military threat to any other country.

At the same time, the Paper drew attention to the increasingly challenging nature of efforts to safeguard national security in the form of the "growing interconnections between domestic and international factors and interconnected traditional and non-traditional factors." In particular, it highlighted the task of containing "separatist forces for 'Taiwan independence' and their activities."

Some of the statistics contained in the Paper included the findings that since 2002, China had participated in 16 joint military exercises with 11 countries, and that it had established military ties with over 150 countries. In addition, since 2000 it had dispatched 893 peacekeeping police officers to seven mission areas, and that as of December 2006, it had 1,487 military peacekeeping personnel serving in nine UN mission areas and the UN Department of Peacekeeping Operations. The Paper also revealed that since 2003, the troop displacement level of the PLA had been reduced from 2.5 to 2.3 million.

The contents of the latest Chinese Defence White Paper are as follows:

Preface
I. The Security Environment
II. National Defence Policy
III. China's Leadership and Administration System for National Defence
IV. The People's Liberation Army

- Completing the Reduction of 200,000 Troops
- Development of the Services and Arms
- Military Training
- Political Work
- Logistical Support
- Weaponry and Equipment
- Military Legal System
- Military Institutional Education
- Management System of Military Cadres
- Supporting the Government and Loving the People

V. People's Armed Police Force

- Structure and Organization
- Basic Tasks
- Force Building

VI. National Defence Mobilization and Reserve Force

- Mobilization of the Armed Forces
- Mobilization of the National Economy

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- Civil Air Defence
- Militia Force Building
- Reserve Force Building

VII. Border and Coastal Defence

- Border and Coastal Defence System
- Building Border and Coastal Defence
- Ensuring the Stability of Border Areas

VIII. Science, Technology and Industry for National Defence
IX. Defence Expenditure
X. International Security Co-operation

- Regional Security Co-operation
- Honouring Commitment to International Arms Control and Non-Proliferation
- Military Exchanges and Co-operation
- Participation in UN Peacekeeping Operations and International Disaster Relief Operations

(See also XHNA, 29 Dec. for an interview with Zhang Bangdong, Director of the Foreign Affairs Office of the Ministry of National Defence.)

g *Hong Kong Special Administrative Region (HKSAR)*

Following talks between the European Commission (EC) President, Jose Manuel Barroso, and the HKSAR Chief Executive (Donald Tsang), a joint statement referred to the two sides' wish to expand EU–HKSAR relations. The statement noted the recent publication of a European Union (EU) policy paper on Hong Kong, which had endorsed the successful implementation of the "one country, two systems" principle in the region. Barroso and Tsang also reaffirmed their commitment to resuming the Doha Development Round negotiations (XHNA, 7 Nov.; see also HKSAR Government website, 8 Nov.).

On 29 December the Chief Executive of HKSAR, Donald Tsang, travelled to Beijing, where he met Hu Jintao. The Chinese President noted that "Hong Kong is enjoying social stability and a growing economy. The people's lives are [also] improving …" (XHNA, 29 Dec.).

2. Foreign Relations

a *Diplomatic Tours*

Hu Jintao's state visits to Vietnam, Laos, India, and Pakistan (15–26 November)

Hu Jintao arrived in Da Nang on 15 November at the start of a state visit to Vietnam. The following day, he held talks in Hanoi with President Nguyen Minh Triet and Nong Duc Manh (General Secretary of the Central Committee of the Communist Party of Vietnam (CPV)). Both men spoke

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with satisfaction of the development of relations and co-operation between China and Vietnam, and Hu reaffirmed the Chinese government's wish to strengthen those ties. To this end, he made four proposals:

- to intensify high-level contacts in order to increase "political mutual trust;"
- to increase trade and economic co-operation on the basis of "equality and reciprocity for common development and prosperity;"
- to make bilateral co-operation as comprehensive as possible by making the fullest use of co-operation mechanisms in diplomatic, defence and public security spheres in both countries;
- to "safeguard common interests and strengthen co-ordination and co-operation in the multi-lateral fields such as in international and regional affairs."

Hu also called for joint efforts to accelerate demarcation work, strengthen co-operation in the Beibu Gulf, and promote "common development" in the South China Sea.

Manh echoed many of Hu's remarks and reaffirmed the priority importance attached by Vietnam to its relations with China. He gave an undertaking to seek a negotiated settlement of border and territorial issues with China.

Subsequently, the two leaders attended a signing ceremony for a number of bilateral co-operative agreements, embracing trade and economy, human resources, and health and quarantine conditions. It was reported that the value of two-way trade exceeded US$8 billion in 2005. The corresponding figure for 2006 was expected to be more than US$10 billion (XHNA, 16 Nov.).

Also in Hanoi, on 17 November Hu Jintao addressed the CEO summit meeting of the Asia-Pacific Economic Cooperation forum (APEC). He noted that major and complex changes were taking place throughout the world, including in the Asia-Pacific region, where the emergence of regional and sub-regional co-operation mechanisms had resulted in countries of the region becoming increasingly involved in international co-operation and competition. However, despite many favourable factors bearing on development in the Asia-Pacific, the region also faced various difficulties. Thus,

> As some developing countries' economic and technological foundations are weak, they lack the effective means to seize development opportunities and the relevant ability to resist external risks, so it is difficult for them to benefit from economic globalization. In recent years, terrorist activities, serious natural disasters, major infectious diseases, and other non-traditional security threats have kept occurring. As a result, various countries, particularly developing countries, have faced new challenges in their development efforts. A major problem now confronting us is how to narrow the development gaps and promote common development.

Hu went on to rehearse the major challenges facing China in its efforts to promote modernization and development. He stressed the Chinese government's commitment to maintain the momentum of structural adjustment in order to realize a new economic growth mode, to address rural problems by creating a "new countryside," to promote more balanced regional pattern of growth, and to bring into being a more "harmonious" society.

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On 19 November, Hu Jintao arrived in Vientiane for talks with Laotian leaders. In a meeting with Choummali Sai-Gnason (State President and General Secretary of the Central Committee of the Lao People's Revolutionary Party (PRP)) he put forward proposals designed to give further impetus to the development of relations between China and Laos. They included suggestions that the two sides reaffirm their commitment to annual high-level meetings as a means of addressing issues of common concern, and that they expand bilateral trade and economic co-operation. Hu also called for joint measures to safeguard border security and combat cross-border crime. Choummali endorsed these ideas. Subsequently, the two leaders attended a ceremony at which documents on bilateral co-operation embracing economic, power, technological, health and E-government activities were signed (XHNA, 19 Nov.; and on China's expanding influence in Laos and other Southeast Asia countries, see Hong Kong, *ZTS*, 20 Nov.).

On 20 November Hu arrived in New Delhi for the first state visit to India undertaken for a decade. In a written statement, he referred to the solid momentum of "all-round growth" of bilateral relations, characterized by "strengthened mutual political trust, expanded mutually beneficial co-operation, broadened friendly exchanges and good co-ordination in international and regional affairs" (XHNA, 20 Nov.).

Following Hu's discussions with the Indian Prime Minister (Manmohan Singh), it was announced that the two sides had agreed on a ten-point strategy, designed to further strengthen co-operation and enhance strategic ties between China and India. Singh and Hu both felt that the trend towards closer economic and commercial engagement between the two countries would help promote broader regional development. To this end, the two countries had committed themselves to seeking to raise the value of two-way trade to US$40 billion by 2010, as well as to increase reciprocal investment flows. Hu revealed that agreement had also been reached to strengthen co-operation in a number of areas, including trade, information technology, science and technology, human resource development and education.

Hu noted that an early settlement of the border issue would serve the "fundamental" interests of both countries and help fulfil their strategic objectives. He hoped that on-going discussions between the two countries' Special Representatives would help generate a "fair, reasonable and mutually acceptable" border settlement.

The two governments agreed that they should hold regular summit meetings. It was also announced that new consul-generals would be appointed in Kolkata and Guangzhou (New Delhi, Press Trust of India (PTI), 21 Nov.; and see a Chinese Foreign Ministry spokesman's comments in XHNA, 21 Nov.).

On 21 November, Hu Jintao met the Indian President, A.P.J. Abdul Kalam. In a banquet speech, Kalam urged that "more substance" be injected into the two countries' strategic relationship:

> The regional and global perspective of our ties further necessitates that we take a long-term and strategic view of our relationship. We need to add more substance and meaning to our strategic relationship (PTI, 21 Nov.).

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On 23 November, Hu Jintao travelled to Mumbai, where he addressed the China–India Economic, Trade and Investment Cooperation Summit and CEO Forum. He noted that against the background of rapid economic growth in China and India, the two countries faced many opportunities "to deepen comprehensive co-operation and realize mutually beneficial win-win results." Bilateral trade had risen 15-fold in 10 years, realizing an average rate of growth of 32 per cent annually. In 2006, the value of two-way trade was expected to exceed US$20 billion, thereby fulfilling in advance the target set for 2008. As a result of such accelerated expansion, China had become India's second-largest trading partner, while India was now China's biggest partner in South Asia.

Hu Jintao made five proposals for the further promotion of trade and economic co-operation between the two countries (XHNA, 23 Nov.):

- to diversify the structure and pattern of trade in order to facilitate fulfilment of a new target of raising bilateral trade to US$40 billion by 2010 (including raising the share of technology-intensive and high value-added commodities in total trade);
- to expand co-operation in "key" areas in order to take advantage of the two countries' respective comparative advantages;
- to improve the two countries' trade and investment environments through the implementation of more effective dialogue and the removal of existing barriers to trade and investment;
- to strengthen multilateral co-operation in such bodies as the WTO and within the framework of the "Bangkok Agreement;"
- to explore trade liberalization in order to facilitate the eventual establishment of a free trade zone and lay the foundation for a "regional trade arrangement."

Following his arrival in Islamabad, on 24 November the Chinese President held talks with his Pakistani counterpart, Pervez Musharraf. Their discussions focused on bilateral relations, as well as regional and global issues. Hu spoke of the Chinese governments to strengthen co-operation with Pakistan and suggested ways in which the ties between the two countries could be made even closer. These included an extension of personnel exchanges and consultations at various levels, an expansion of trade and economic co-operation (especially in key areas, such as nuclear power station and port construction, and investment in agriculture, communications, energy and finance). Xinhua noted that in 2005 the vale of two-way trade had exceeded US$4 billion – an increase of 39 per cent above the level of 2004 (XHNA, 24 Nov., which also reported on Hu's talks with Prime Minister Aziz; see also Islamabad, Associated Press of Pakistan, 24 Nov. for details of a joint China-Pakistan five-year plan designed to "boost their economic partnership in diversified fields of common interests").

At the end of Hu's visit, China and Pakistan signed a free-trade agreement (FTA), which was expected to help increase bilateral trade threefold within five years to US$15 billion. The agreement provided for the two countries to begin to reduce or eliminate tariffs on all products in two phases, starting in

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July 2007. The FTA agreement was the culmination of discussions that had been under way since April 2005 (XHNA, 24 Nov.).

b *Countries, Territories and Regions*

Africa (China–Africa Summit; Algeria)

The Beijing Summit of the Forum on China–Africa Cooperation (FOCAC) took place on 4–5 November. At a meeting of the summit's preparatory committee, it was revealed that Chinese and African representatives at the summit would exchange views on the future development of relations between China and Africa, including the formulation of a "blueprint" to guide future co-operation (XHNA, 2 Nov.).

On 3 November, the third ministerial meeting of FOCAC – described by Xinhua as "a mechanism for collective dialogue and co-operation jointly established by China and Africa to cope with new challenges and facilitate common development" – was held in the Chinese capital. Vice-Premier Wu Yi and Seyoum Mesfin (Foreign Minister of Ethiopia and Co-president of FOCAC) addressed the opening ceremony. Ministers and representatives from China and 48 African countries attended the meeting.

Wu Yi described the establishment in 2000 of FOCAC as an important strategic initiative, designed to accommodate new challenges and promote mutually beneficial co-operation. She noted that the Forum had already held two ministerial meetings and successfully implemented agreed action plans. As a result, FOCAC had become "an important platform for pragmatic co-operation between China and Africa." She looked forward to a further strengthening of friendly ties and co-operation.

Wu Yi also made three proposals, intended to facilitate future co-operation between China and Africa. The first was that the two sides should "instil new vitality" into FOCAC through the formulation and subsequent implementation of co-operation plans. The second was that they should intensify their efforts to fully realize the potential for upgraded co-operation by drawing on their respective strengths and by following "the principle of being open and inclusive." Finally, she reminded the audience of the need to achieve more effective co-ordination in order to maximize the gains from co-operation (XHNA, 3 Nov.).

Seyoum Mesfin echoed many of Wu Yi's remarks, drawing particular attention to the successful outcome of co-operation since 2000 in trade, investment and human resource development. He said that the value of bilateral trade between China and Africa had reached US$39.7 billion in 2005 – almost four times the level of 2000, when trade had exceeded US$10 billion for the first time. He also noted actions taken by China to assist African development, including cancellation of 31.5 billion yuan of debt incurred by 31 heavily indebted poor African countries.

The Chinese Foreign Minister (Li Zhaoxing) and Minister of Commerce (Bo Xilai) also addressed the ministerial meeting.

The ministerial meeting endorsed an "action plan," which set out co-operative programmes between China and Africa for a three-year period (2007–2009) within the FOCAC framework. It also issued a draft declaration

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on "friendship, peace, co-operation and development", which was to be discussed at the forthcoming Summit.

At the opening ceremony of the China–Africa Summit (4 November), Hu Jintao spoke of the event's historical significance (XHNA, 4 Nov.). He reviewed the achievements of the previous six years of FOCAC's existence, and highlighted its importance as a means of facilitating dialogue and wide-ranging co-operation between China and African countries. He also spoke of the increasingly close and friendly relations, based on mutual trust and respect, that had been forged between the two sides.

Hu drew attention to the "profound and complex" changes under way throughout the world within a framework of multipolarity and economic globalization. "[P]eace, development and co-operation" were, he suggested, universal aspirations. Meanwhile, continuing advances in science and technology, alongside expanding regional co-operation and increased interdependence between countries, offered "rare development opportunities" for the international community. At the same time, less positive developments – global developmental imbalances, widening North–South gaps and increasing threats to security – were also in evidence and highlighted the scale of the challenge facing poor countries in their efforts to pursue sustainable development. In the face of such challenges, China and African countries bore a special responsibility. Thus,

> China is the largest developing country, and Africa is home to the largest number of developing countries. The combined population of the two sides accounts for over a third of the world total. Without peace and development in China and Africa, there will be no global peace and development."

In pursuit of a "new type of strategic partnership," China would (said Hu) seek to strengthen co-operation with Africa in five fields, as follows:

- through high-level contacts and dialogue, to forge even stronger political relations with Africa, based on equality and mutual trust;
- through increased trade and closer co-operation, to broaden "win-win economic co-operation" between China and Africa to the benefit of both sides;
- in the interests of achieving closer and friendlier ties, to enhance cultural exchanges and to strengthen co-operation in education, science and technology;
- in order to facilitate "balanced and harmonious global development," to join with African countries in order to strengthen South–South co-operation and promote North–South dialogue;
- to intensify joint efforts in international affairs ("we call for enhancing international security co-operation based on mutual trust and benefit and addressing each other's concerns through consultation and co-ordination so that we can jointly respond to threats and challenges to global security").

Hu stressed the importance attached by the Chinese government to promoting closer trade and economic relations with African countries. To this end, he said that China would establish a 'China–Africa development

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fund' of US$5 billion, which would be used to facilitate investment by Chinese companies in Africa. He also revealed that during the coming three years, China would set up between three and five trade and economic co-operation zones in Africa. As of end-2005, there were more than 800 Chinese enterprises based in Africa, embodying total investment of US$6 billion. Finally, Chinese aid to Africa would be doubled between 2006 and 2009.

Following the conclusion of the China–Africa Summit, the Chinese and Egyptian Presidents (Hu Jintao and Mohammed Hosni Mubarak) and the Prime Minister of Ethiopia (Meles Zenawi) unveiled a Summit Declaration, announcing the establishment of "a new type of strategic partnership" between China and Africa. According to the Declaration, the new relationship embodied "political equality and mutual trust, economic win-win co-operation and cultural exchanges." It called for a strengthening of both South-South co-operation and also North-South dialogue in order to "promote balanced, co-ordinated and sustainable development of the global economy to enable all countries to share its benefits and realize common development and prosperity." The Declaration also called for Africa to be given a higher political and economic profile: the former, by strengthening its role in the United Nations and other international bodies; the latter, through increased assistance to African countries.

The document noted that in support of stronger China–Africa relations, the two sides would implement a range of measures, including high-level visits and personnel exchanges, more effective co-operation and cultural exchanges. The priority foci of co-operation would be agriculture and fisheries, infrastructural construction, industrial and IT development, public health and human resource development (XHNA, 5 Nov.).

On 4 November, Premier Wen Jiabao addressed the Second Conference of Chinese and African Entrepreneurs, held in Beijing on 4–5 November. He claimed that since the establishment of FOCAC in 2000, trade and economic co-operation between China and Africa had entered a new stage of development. Sino-African trade having reached a new peak of US$39.7 billion in 2005, during January–September 2006 it had already exceeded this figure, following a rise of 42 per cent year on year. He expressed the hope that the value of two-way trade could be increased to US$100 billion by 2010. Wen pointed out that China gave zero-tariff treatment to 190 exports from Africa's 28 least developed countries in Africa. It had also signed investment protection agreements with 28 African countries, and agreements on avoiding double taxation with a further eight countries (XHNA, 4 Nov.). At the conclusion of the Conference of Entrepreneurs 16 co-operative agreements were signed, worth US$1.9 billion (XHNA, 5 Nov.).

Following the China–Africa Summit, the Algerian President (Abdelaziz Bouteflika) undertook a state visit to China, during which he held talks with Hu Jintao (see XHNA, 6 Nov.) and other senior Chinese officials. The two presidents signed a statement on developing relations of strategic co-operation between the China and Algeria. The two sides also reached agreement on economic, tax, judicial and other forms of co-operation.

Hu also held separate talks with a number of African leaders who had participated in the Summit meeting. On 7 November, for example, he

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exchanged views with the Egyptian President (Mohammed Hosni Mubarak), following which a joint press communiqué was issued. It revealed that the two sides had agreed to strengthen co-operation and that Hu had accepted an invitation to visit Egypt (XHNA, 7 Nov.).

Commonwealth of Independent States (Russia, Kazakhstan)

On 9 November Wen Jiabao and his Russian counterpart (Premier Mikhail Yefimovich Fradkov) held the 11th Regular Meeting of the Chinese and Russian Premiers in Beijing. Wen noted that new progress had been made in advancing co-operation since the previous prime ministerial meeting in 2005. He summarized the healthy state of bilateral relations, saying that "the foundation for [such] relations … has become stronger and their co-operation has become more solid and has broader prospects." Fradkov echoed Wen's positive assessment and stressed the potential contribution of stable China–Russia relations to maintaining regional and global peace and stability. The two men reached agreement on the need to maintain the momentum of economic and political co-operation (details in XHNA, 9 Nov.; and see XHNA, 10 Nov. for a press communiqué, issued at the end of Fradkov's two-day visit to China).

In Hanoi, where the two men had participated in the APEC CEO summit, on 18 November Hu Jintao exchanged views with the Russian President, Vladimir Putin. Putin insisted that bilateral relations were developing strongly, not least thanks to the Chinese president's "position and the attention he and his colleagues are paying to the development of relations with the Russian Federation" (Moscow, ITAR-TASS, 18 Nov.).

It was reported from Almaty that following talks in Beijing (20 December) between Hu Jintao and President Nursultan Nazarbayev, China and Kazakhstan signed had 11 bilateral documents, including a "China–Kazakhstan Co-operation Strategy for the 21st Century" (Kazakhstan Today News Agency website, 20 Dec.). During their discussions, both Hu and Nazarbayev were in agreement on the critical role to be played by the United Nations in upholding global peace and security, as well as on needed reforms in the international body. They called, in particular, for accelerated "anti-terror co-operation" within the UN framework. The two sides also reaffirmed their determination to work against nuclear proliferation in accordance with the Nuclear Non-Proliferation Treaty, and to develop co-operative ventures within the framework of the Shanghai Co-operation Organization, especially in order to combat "terrorism, extremism and separatism" (XHNA, 20 Dec.; and see XHNA, 21 Dec. for a report of Nazarbayev's meeting with Wen Jiabao).

Eastern and Southern Europe (Bulgaria, Albania, Cyprus, Slovakia)

The Prime Minister of Bulgaria (Sergey Stanishev) visited China during 19–23 November and held talks with Wen Jiabao and other senior Chinese officials. He also travelled to Shanghai, where he met Mayor Han Cheng. During Stanishev's visit, the two sides signed a number of agreements, including one on economic co-operation. The two sides exchanged views and

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reached a broad measure of consensus on a wide range of bilateral, regional and global issues (XHNA, 23 Nov., which includes details of the two sides' joint declaration).

Also in November, the Albanian Foreign Minister (Besnik Mustafaj) visited China, where he met Vice-President Zeng Qinghong and Li Zhaoxing. Li spoke of the Chinese government's desire to strengthen its relations with Albania (XHNA, 29 Nov.).

On 4 December the President of the Republic of Cyprus (Tasos Papadopoulos) arrived in Shanghai for a five-day state visit to China. As well as discussing the Cyprus issue, he and Wen Jiabao also exchanged views on ways to expand co-operation between China and Cyprus. Wen called for more direct contacts between enterprises in the two countries. He expressed the Chinese government's appreciation for Cyprus's efforts in the EU to recognize China as a full market economy (XHNA, 8 Dec.). The two sides signed agreements on health and cultural co-operation.

In talks in Beijing on 20 December, the foreign ministers of China and Slovakia (Li Zhaoxing and Jan Kubis) pledged their government to efforts to increase "bilateral pragmatic co-operation." Kubis said that his government attached great importance to its relations with China, and hoped that they would grow closer through an expansion of bilateral exchanges and co-operation. The two men also discussed regional and international issues of shared concern (XHNA, 20 Dec.).

Japan

On 4 October a Chinese Foreign Ministry spokesman announced that the Japanese Prime Minister (Shinzo Abe) would pay an official visit to China on 8–9 October. The visit was made possible, thanks to the two sides having reached "a consensus on overcoming the political obstacle to the bilateral relationship and promoting the sound development of bilateral friendly and co-operative relationship" (XHNA, 4 Oct.).

Following his arrival in Beijing on 8 October, Abe held talks with Wen Jiabao, who spoke of the importance of establishing a "friendly co-operative relationship" between China and Japan. Wen noted that Abe's visit had been made possible thanks to recent progress having been made in "overcoming political obstacles which hindered bilateral ties." He spoke of the damage to relations between the two countries caused by the former Japanese Prime Minister Koizumi's visits to the Yasukuni Shrine and strongly urged that the problems raised by such visits be resolved in the interests of facilitating the establishment of strong bilateral ties. As Wen put it, "[p]romises must be kept and action must be resolute." For his part, Abe spoke optimistically of the future for Sino-Japanese relations and expressed his readiness to strengthen high-level dialogue. Meanwhile, Xinhua pointed out that Abe was the first Japanese Prime Minister to have chosen China as the destination of his first official trip overseas (XHNA, 8 Oct.).

Wen put forward a five-point proposal on developing future bilateral relations, as follows (see XHNA, 8 Oct.):

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- Japan and China to commit themselves to regular mutual visits by the two countries' leaders in order to "enhance communication and exchange at multiple levels and enhance mutual political trust;"
- the two sides to embark on strategic dialogue, supported by "in-depth research on significant issues" relating to the further development of bilateral relations;
- the two sides to strengthen the economic and technological co-operation mechanism, and to formulate medium-long term plans for bilateral co-operation in the interests of stronger trade and economic relations;
- the two sides to undertake cultural and educational, and non-governmental exchanges;
- Japan and China to enhance consultation on regional issues and to promote East Asian regional co-operation in order to serve the peaceful development of Asia.

Also on 8 October, Abe met Hu Jintao, who described the Japanese Prime Minister's visit as a "turning point" and a new start in the two countries' bilateral relations. Kyodo quoted a senior Japanese official to the effect that Abe was likely to propose the establishment of a bilateral "strategic relationship of mutual interest." If this happened, it would mark a new departure in bilateral relations, being the first time that the two countries had sought to establish a "strategic" partnership (8 Oct.).

According to Kyodo, 8 Oct., the Japanese Prime Minister gave an undertaking to both Hu and Wen that he would not visit the Yasukuni Shrine, although he added that previous Japanese leaders' visits to the Shrine had been undertaken merely to mourn all the war dead, but not to "glorify militarism." Indeed, he spoke of Japan's deep regret at the suffering caused as a result of Japan's war in Asia. He did, however, also call on Chinese leaders to bear in mind Japan's post-war history, during which it had sought to work for peace. The Japanese news agency noted agreement by the two sides to hold summit talks again "soon," as well as to resume three-way summit talks between China, Japan and South Korea at a regional forum in December 2006. Hu and Wen were said to have avoided responding directly to Abe's unprecedented request that China should support Japan's bid for a permanent seat in the UN Security Council (Kyodo, 8 Oct.).

A joint press communiqué confirmed the determination of both sides "to build a mutually beneficial relationship based on common strategic interests and to realize the goals of peaceful co-existence, friendship, mutually beneficial co-operation and common development." It pointed out that the maintenance of strong and stable ties between China and Japan was in the interests not only of the two countries themselves, but also of those of the Asian region and the entire world. The two governments reaffirmed their commitment to the principles of the Sino-Japanese Joint Statement, the Sino-Japanese Treaty of Peace and Friendship and the Sino-Japanese Joint Declaration. They also undertook "to squarely face history and be oriented to the future." Agreement had been reached to strengthen both political and economic ties and to maintain an on-going dialogue at the highest official

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level. It was also revealed that Japan had invited Chinese leaders to visit Japan (see above) (XHNA, 8 Oct.; and see *RMRB*, 8 and 9 Oct.).

Premier Abe concluded his visit to China on 9 October (for a report of the fifth meeting of the "new term" of the 21st Century Committee for Sino-Japanese Friendship, held in Qingdao on 19–21 October, see XHNA, 21 Oct.).

Hu Jintao held further talks with the Japanese Prime Minister on 18 November (see XHNA, 18 Nov.). Hu noted that this second meeting between Chinese and Japanese leaders within little more than a month showed that a "new situation" had emerged in the development of relations between the two countries ("Sino-Japanese ties are now at a crucial juncture"). He reaffirmed the consensus that the two sides had reached in the previous meeting and the challenge they faced in "creating a new pattern of omni-directional, wide-scope, and multi-tier reciprocal co-operation." He suggested that China and Japan should focus on the following priority tasks:

- to clarify, in an explicit manner, the direction in which bilateral relations should henceforth develop;
- to step up exchanges between the peoples – especially the youth – of both countries;
- to promote "reciprocal co-operation in a down-to-earth manner," especially in areas such as trade, investment, finance, energy and environmental protection;
- jointly to promote development in order to secure peace and stability in Asia;
- to "properly" handle "sensitive" political issues, such as those relating to Sino-Japanese history and the Taiwan question.

Abe spoke of the success of his October visit to China in October. He hoped that subsequent positive developments in bilateral relations would be maintained. He called for a ministerial-level economic meeting to be convened as soon as possible in order to facilitate the co-ordination of economic and trade co-operation. Other desirable initiatives included the initiation of a dialogue and more effective co-operation on energy and environmental protection, the implementation of joint research on historical issues, the strengthening of tripartite co-operation between China, Japan and South Korea in order to enhance investment, environmental protection and tourism in all three countries, and the upgrading of discussions on developments in the East China Sea. Abe also gave an undertaking that the Japanese government would deal with the Taiwan issue in accordance with the principles enshrined in the Japan-China Joint Statement.

Latin America (Chile)

Following talks under way for almost two years, on 1 October 2006 a free trade agreement between China and Chile took effect, whereby 97 per cent of all traded commodities would eventually be exempted from import tariffs. Xinhua noted that China was Chile's second-largest trading partner, with

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copper contributing to 30 per cent of its exports to China (and accounting for half of China's global copper imports).

Northeast Asia, excl. Japan (North Korea [Democratic People's Republic of Korea, DPRK]; South Korea [Republic of Korea], Republic of Mongolia)

A statement by the Chinese Ministry of Foreign Affair, issued on 9 October, condemned the recent nuclear test conducted by the North Korean government, which it described as having taken place in disregard of the "international community's universal opposition." It reaffirmed the Chinese government's opposition to nuclear proliferation and its support for the non-nuclearization of the Korean Peninsula. It enjoined the DPRK to cease from actions that threatened to exacerbate the situation and to return to the six-party talks on the Korean issue. It was revealed that the Chinese Foreign Minister, Li Zhaoxing, had discussed the North Korean action with US Secretary of State Condoleezza Rice. The matter was also touched on in a telephone conversation between Presidents George W. Bush and Hu Jintao (XHNA, 9 Oct.). It was subsequently revealed that on 18–19 October State Councillor Tang Jiaxuan had met Kim Jong-il in Pyongyang in his capacity as Special Envoy on behalf of Hu Jintao (XHNA, 20 Oct.).

In the wake of North Korea's nuclear test, on 13 October the South Korean President, Roh Moo-hyun, made a one-day working visit to China, where he met Hu Jintao, Wen Jiabao and Wu Bangguo. Roh's discussions with Chinese leaders focused on bilateral relations and the situation on the Korean Peninsula. Hu and Roh were said to have reached "important consensus" of the Korean nuclear situation, and Yonhap went further, stating that the two governments had agreed to support the UN Security Council's efforts to impose sanctions on North Korea, following its nuclear test. The visit to China was Roh's second since assuming the presidency in 2003 (XHNA and Yonhap (Seoul), 13 Oct.; see also Kyodo, 13 Oct.).

On 22 November the Mongolian Prime Minister, Miyeegombyn Enhbold, arrived in Beijing at the start of a six-day official visit to China as the guest of Wen Jiabao. In a brief comment announcing his arrival in the Chinese capital, Xinhua noted that during January–September 2006 the value of trade between China and Mongolia had risen, year on year, by 88 per cent to reach US$1.13 billion.

South Asia and India Ocean (Pakistan)

On 27 October the second China–Pakistan strategic dialogue took place in Beijing. The Chinese Assistant Foreign Minister (Cui Tiankai) exchanged views with the Pakistani Foreign Secretary (Riaz H. Khokhar) on areas in which the two sides might co-operate.

Southeast Asia (The Philippines; Association of South-East Asian Nations [ASEAN])

On 27 October President Gloria Macapagal-Arroyo of the Philippines arrived in Xiamen (Fujian province) at the beginning of a five-day visit to

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China. She subsequently travelled to Guangxi, where she held talks with Wen Jiabao in the provincial capital, Nanning.

In Nanning on 30 October, Arroyo and Wen delivered speeches at the opening ceremony of the Commemorative Summit, held to mark the 15th Anniversary of the Dialogue Relations between China and the Association of Southeast Asian Nations (ASEAN). Others attending the summit were the Indonesian President (Susilo Bambang Yudhoyono), Brunei Sultan Hassanal Bolkiah, the Prime Ministers of Cambodia (Hun Sen), Laos (Bouason Boupphavan), Malaysia (Abdullah Ahmad Badawi), Myanmar (Gen Soe Win), Singapore (Lee Hsien Loong), Thailand (Surayud Chulanont) and Vietnam (Nguyen Tan Dung).

In his speech, Wen Jiabao noted that the previous 15 years had seen relations between China and ASEAN evolve from the removal of misgivings to initial dialogue, followed by an enhancement of mutual trust and, finally, the establishment of strategic partnership. As a result, China–ASEAN relations had reached a new high – an example of "friendly exchanges and co-operation" that had benefited the peoples of all concerned and enhanced regional and global peace, stability and prosperity (XHNA, 30 Oct.; for text of the Summit's joint statement, see also XHNA, 30 Oct.).

Taiwan (Republic of China)

Following an exhibition on achievements in cross-Strait agricultural co-operation, Vice-Premier Wu Yi hosted a dinner in Xiamen, attended by senior Taiwanese and mainland Chinese officials, including Lien Chan (Hon. Chairman of the Kuomintang) and Chen Yunlin (Chairman of the CCPCC's Taiwan Affairs Office). In a speech, Wu Yi reaffirmed Beijing's commitment to further strengthening cross-Strait economic co-operation and other forms of economic exchange. She noted that the stable and peaceful development of relations between China and Taiwan was the aspiration of both sides, and urged that the CCP, the "Chinese KMT," the People First Party and the New Party intensify their efforts to fulfil this goal in order to build on the "mutually supplementary and reciprocal pattern [of relations]" that already existed. Wu added that cross-Strait exchanges and co-operation in the agricultural sphere were a "key component of the cross-Strait economic relationship" (XHNA, 18 Oct.).

A report on the *Taipei Times* website (19 Nov.) noted that during his participation at the APEC CEO summit in Hanoi, Taiwan's APEC envoy (Morris Chang) had exchanged comments with Hu Jintao. He described the Chinese President as "friendly and courteous," but added that time constraints had made it impossible to address any serious topics. A China News Agency report quoted Chang to the effect that Hu had urged him, in his capacity as a Taiwanese entrepreneur, to "develop the economy first and gradually solve other problems" (CNA, 21 Nov.).

United States of America

In October the US Secretary of State (Condoleezza Rice) held talks in Beijing with her Chinese counterpart, Li Zhaoxing. In advance of the discussions, Li

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referred to the "sound" development of bilateral relations, but conceded that her visit to China coincided with the introduction of "'complicated' and 'volatile' elements" into the international situation – a reference to the recent North Korean nuclear test. Rice called on China to join Washington in implementing UN Security Council Resolution 1718 on the issue.

Following his discussions with Rice, Li urged all relevant parties to maintain a "cool-headed, … prudent and responsible attitude" in the face of recent developments on the Korean Peninsula, and spoke of the need to find a negotiated solution of existing problems. He expressed China's willingness to work more closely with others to bring about a resumption of the six-party talks. Rice described North Korea's nuclear test as "a serious provocation" that threatened international peace and security. Rice and Li discussed other international and regional issues, including Taiwan, Darfur and the Iranian nuclear issue (XHNA, 20 Oct.).

Following his arrival in Beijing, on 8 November the US Under-secretary of State (Nicholas Burns) and Chinese Vice-Foreign Minister (Yang Jiechi) chaired the third round of China–US strategic dialogue. The two sides were reported to have held a "candid and in-depth exchange of views on bilateral ties and international and regional issues of common concern," including the situation on the Korean Peninsula. Burns also held separate talks with Li Zhaoxing (XHNA, 8 Nov.).

Kyodo (18 November) reported that Li Zhaoxing held talks with the US Secretary of State (Condoleezza Rice) in Hanoi, following the APEC CEO summit. The main topic of discussion was said to be the coming six-party talks on North Korea's nuclear programme.

On 13 December the US Treasury Secretary (Henry Paulson) arrived in Beijing for the first-ever China–US strategic economic dialogue. Paulson and Vice-Premier Wu Yi co-chaired the meeting (14–15 December), which focused on long-term strategic issues in China–US trade, as well as "global, strategic and long-term macro-economic issues of common concern." Following the conclusion of the discussions, Wu Yi said that a degree of consensus had been reached, but also admitted that the two sides remained apart on a number of issues. Paulson commented that

> We each will take measures to address global imbalances through greater national savings in the United States and to increase consumption and exchange rate flexibility in China (XHNA, 15 Dec.).

During his stay in Beijing, Paulson met Hu Jintao. The Chinese President suggested that the strategic economic dialogue would offer new opportunities for co-operation between China and the US. He noted that bilateral trade and economic relations had grown closer and he hoped that the momentum could be maintained, with any problems being handled through "frank dialogues and consultations." Paulson also had talks with Premier Wen Jiabao (XHNA, 15 Dec.).

Western Europe (France, Switzerland, Italy, Iceland; European Union [EU])

On 25 October the French President, Jacques Chirac, arrived in Beijing at the beginning of a four-day state visit to China. He was accompanied by a

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delegation of 30 French businessmen, including senior representatives of Carrefour and Airbus, and the visit was expected to generate closer economic and trade relations, especially in aeronautics, nuclear energy, railway transport, telecommunications and financial services.

Following their talks (26 October), a joint statement signed by Chirac and Hu Jintao urged the European Union (EU) to lift its arms embargo against China – in place since 1989 – and to grant China market economy status. Such actions were thought to accord with the strengthening of the EU–China partnership.

The statement also affirmed the importance of seeking a negotiated settlement of outstanding EU–China trade problems. In a separate meeting with Chirac, the Chinese Minister of Commerce (Bo Xilai) called on the French government to bring pressure to bear on the EU to adhere to free trade principles. He pointed out that both China and the EU benefited from their trade, but regretted the impact of recent anti-dumping charges made against China by the EU (XHNA, 26 Oct.).

Also on 26 October Chirac held talks with Premier Wen Jiabao, who spoke enthusiastically of the closer relations being forged by France and China. Wen noted that France had not only been the first Western country to establish full diplomatic relations with China, but had also been the first to establish "an all-round strategic partnership." He spoke too of the enormous potential for economic and other forms of co-operation inherent in the two countries economic complementarity. Chirac responded by speaking of the two countries' common interests. He endorsed Chinese proposals to enhance co-operation between French and Chinese business communities. Wen also spoke with satisfaction of EU–China relations and hoped that the two sides would seek to resolve on-going trade differences through dialogue based on the trade co-operation mechanism and in accordance with WTO rules (XHNA 26 Oct.).

At the end of Chirac's visit, the two sides signed a joint statement, the full text of which can be found in XHNA, 26 Oct. China and France also signed 14 co-operation agreements. It was reported that China Aviation Supplies Import and Export Group Corporation had signed a framework agreement with Airbus to purchase 150 A320-series airliners.

On 27 October the foreign ministers of China (Li Zhaoxing) and Switzerland (Micheline Calmy-Rey) held talks in the Chinese capital. Their discussions focused on bilateral relations and other issues of shared concern (e.g. human rights, the implications of the recent nuclear test by North Korea and the Iranian nuclear issue).

The following month saw the arrival in Beijing of the Deputy Prime Minister and Foreign Minister, Massimo D'Alema. In a meeting with Li Zhaoxing, he reaffirmed Italy's continued commitment to the "one China" policy and its opposition to Taiwan independence. He also said that the Italian government would seek to strengthen bilateral ties, as well as relations between China and EU Member States. Li noted that relations between China and Italy had become closer since their decision in 2004 to establish a comprehensive strategic partnership.

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In December the Icelandic Foreign Minister (Valgerdur Sverrisdottir) travelled to China, where he held talks with Li Zhaoxing and senior Chinese officials. At a reception to celebrate the 35th anniversary of the establishment of diplomatic ties between China and Iceland, she revealed that the two countries had agreed to begin free trade negotiations early in 2007 – the first European country to do so (XHNA, 4 Dec.).

China's first reaction to the EU's most recent policy communication on China ("EU–China: Closer Partners, Growing Responsibilities," Brussels, 26 Oct.) came in remarks made by a Foreign Ministry spokesman. Liu Jianchao spoke of the Chinese government's appreciation of EU efforts to promote closer EU–China relations and said that it was carefully studying the document.

In Beijing on 7 November, following the 21st meeting of the China–EU Economic and Trade Joint Committee, it was announced that China and the EU had reached an eight-point consensus and had signed new agreements on the further development of trade relations and the enhancement of intellectual property rights [IPR] protection. The two sides agreed that they should accelerate preparations for discussions on a new partnership framework agreement, based on the 1985 Trade and Economic Co-operation Agreement, in order to strengthen bilateral economic ties. Both Bo Xilai (the Chinese Minister of Commerce) and the EU Trade Commissioner (Peter Mandelson) spoke of the shared desire to maintain the momentum of trade growth (XHNA, 7 Nov.).

3. Documentation

Chinese Communist Party Central Committee, "Resolution on Major Issues Concerning the Building of a Socialist Harmonious Society" (adopted at the Sixth Plenum of the 16th CCP Central Committee on 11 October 2006 and published Xinhua News Agency on 18 October [subheadings included]. Reproduced from BBC Monitoring Global Newsline – Asia-Pacific Political, 28 Oct. 2006).

I. The importance and urgency of building a socialist harmonious society

Social harmony is the intrinsic nature of socialism with Chinese characteristics and an important guarantee of the country's prosperity, the nation's rejuvenation, and the people's happiness. The building of a socialist harmonious society is an important strategic task, which was put forward by our party under the guidance of Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory, and the important thinking of the "Three Represents" [Chinese: *san ge daibiao*; on the importance of the Communist Party in modernizing the nation – representing the demands for the development of advanced social productive forces, the direction of advanced culture, and the fundamental interests of the greatest majority of the people] and with full implementation of the scientific development concept. The task was brought forward on the basis of the overall plan of the socialist cause with Chinese characteristics and the comprehensive building of a well-off society. To build a socialist harmonious society reflects the intrinsic demand of constructing a socialist modernized country which is prosperous, strong, democratic, civilized, and

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harmonious. It also embodies the common aspiration of the whole party and the people of all ethnic groups across the country.

Social harmony is one of the targets that our party has made unremitting efforts to achieve. Since the founding of New China, our party has made arduous efforts to explore ways to promote social harmony, gained both positive and negative experiences, and made important progress. Since the third plenum of the 11th CCP Central Committee, our party has been firmly committed to the reform and opening-up drive and modernized construction, actively pushed forward economic development and all-round social progress, and made unremitting efforts to promote social harmony. Since the 16th CCP National Congress, with deepening understanding of social harmony, our party has made clear the status of building a socialist harmonious society in the overall plan of the socialist cause with Chinese characteristics and made a series of decisions and arrangements to strive for new achievements in promoting the building of a socialist harmonious society. After long-term endeavours, we now have various favourable conditions for building a socialist harmonious society.

At the new stage of the new century, we are facing unprecedented opportunities and unprecedented challenges as well. Peace, development, and co-operation have become the trend of the times, the trends towards world multipolarization and economic globalization are developing in depth, and science and technology are advancing rapidly. At the same time, the international environment is complex and volatile, competition in overall national strength is becoming increasingly fierce, destabilizing and uncertain factors affecting peace and development have increased, and we will still be facing the pressure from the advantages developed counties have in economic, scientific, technological, and other aspects for a long time to come. The socialist market economic system of our country is being improved with each passing day, the building of our socialist material, political, and spiritual civilizations and party building have been continuously strengthened, our overall national strength has increased by a big margin, the people's living standards are obviously improved, and we have maintained social and political stability over a long time. Meanwhile, our country is in the initial stage of socialism and will remain so for a long time to come. The principal contradiction in our society is still one between the ever-growing material and cultural needs of the people and the backwardness of social production. It is an arduous task to take the interests of all quarters into consideration. It should be particularly noted that our country has entered a crucial period of its reform and development in which profound changes are taking place in the economic system and social structure, the pattern of interests is being adjusted in depth, and profound changes are taking place in people's ideas. Such unprecedented social changes have brought tremendous vigour to our country's development and progress and are also bound to bring various contradictions and problems to us. To lead the people to seize the opportunities, cope with the challenges, and push forward the great socialist cause with Chinese characteristics, our party must persist in carrying out economic construction as the central task and put the building of a socialist harmonious society in an ever more prominent position.

Currently, Chinese society is harmonious in general. However, there exist many contradictions and problems which affect social harmony. Mainly, urban, rural, regional, economic, and social development is quite unbalanced, and the pressure from population, resources, and the environment is increasing. Problems concerning

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the vital interests of the masses in employment, social security, income distribution, education, medical care, housing, production safety, and others are rather prominent, so are problems concerning the vital interests of the masses in public order. Systems and mechanisms have yet to be improved, and democracy and the legal system are not sound. Some members of society lack honesty and trustworthiness and commit misdeeds; the quality, ability, and work style of some leading cadres still cannot meet the requirements of the new situation and tasks; the phenomena of corruption in some fields are still quite serious; and the infiltrating and sabotage activities carried out by hostile forces are jeopardizing national security and social stability.

No society can have no contradictions. Human society has been developing and progressing amid movements of all kinds of contradictions. The building of a socialist harmonious society is a sustained process during which social contradictions are resolved. We must always remain sober-minded, be vigilant in peace time, thoroughly understand the features of the country in the current phase of development, scientifically analyse the contradictions and problems affecting social harmony and their origins, be more active to face up to the contradictions and solve them, and make the utmost efforts to increase harmonious factors and reduce disharmonious factors to consistently boost social harmony. All party comrades should continue to emancipate their minds, seek truth from facts, advance with the times, proceed from reality in doing everything, conscientiously act according to rules, be based on the current situation while keeping eyes on the future, do what our strength allows, and make every possible effort to continuously advance the building of the socialist harmonious society. All party comrades should continuously push forward the building of the socialist harmonious society with particular emphasis and step by step, which should be regarded as a long-term historical task through the whole process of the socialist cause with Chinese characteristics and a major realistic task for building a well-off society in an all-round way.

II. The guiding ideology, objectives, tasks, and principles for building a socialist harmonious society

The socialist harmonious society we are going to build is a harmonious society built and shared by all Chinese people along the road of socialism with Chinese characteristics under the leadership of the CCP. We must adhere to the guidance of Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory, and the important thinking of the ''Three Represents'', adhere to the party's basic line, basic programme, and basic experience, and persist in putting the scientific development concept in command of the overall situation in economic and social development; we must follow the overall requirements of a socialist society that is democratic and law-based, fair and just, trustworthy and friendly, full of vigour and vitality, secure and orderly, and in which man and nature are in harmony; we must strive to develop social services, promote social equality and justice, foster a culture of harmony, improve social management, enhance creativity of the society, pursue the road of common prosperity, and push forward social, economic, political, and cultural development with the emphasis on solving issues people care about most and issues that concern their most immediate and realistic interests.

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The main objectives and tasks for building a socialist harmonious society by 2020 are as follows: Socialist democracy and the legal system are further improved; the fundamental principle of administering the country according to law is implemented in an all-round way; people's rights and interests enjoy concrete respect and guarantees; the widening gap between urban and rural development and in the development between different regions is gradually reversed; a reasonable and orderly income distribution pattern takes shape in general; the wealth of households increases universally and people lead more affluent lives; the employment rate is relatively high and a social security system covering both urban and rural residents is established in general; the basic public service system is further improved and the government attains relatively big improvements in administrative and service levels; the ideological and moral qualities, scientific and cultural qualities, and health qualities of the whole nation are improved markedly and further progress is made in fostering a sound moral atmosphere and a harmonious interpersonal relationship; the creativity of the whole of society is enhanced markedly and an innovation-oriented country is established in general; the social management system is further improved and public order is in good condition; the efficiency of utilization of resources is enhanced markedly and visible improvement in the ecological environment is achieved; the objective of building a well-off society of a higher standard in an all-round way to benefit the Chinese people of more than 1 billion is achieved and efforts are being made to bring about a situation in which all people do their best according to their abilities, everyone is provided for, and people live together in harmony.

In building a socialist harmonious society, the following principles must be followed:

- It is necessary to persist in being people-centred. The fundamental interests of the overwhelming majority of the people must always be taken as the starting point and final goal of all the work of the party and state, and we must do a good job in realizing, protecting, and developing their fundamental interests, keep meeting the growing material and cultural needs of the people, make sure that we bring about development for them, do so by relying on them, let them share the fruit of development, and promote the all-round development of people.

- It is necessary to adhere to the scientific development concept. We must always keep a firm grip on development as the top-priority task for the party's governance and rejuvenation of the country, balance the development of urban and rural areas and different regions, balance economic and social development, balance the harmonious development of man and nature, and balance domestic development and opening to the outside world; we must change the growth mode, improve the quality of development, promote development in an economical, clean, and safe way, and bring about all-round, co-ordinated, and sustainable economic and social development.

- It is necessary to persist in reform and opening up. We must keep to the reform orientation of the socialist market economy, meet the requirements of social development, push forward the reform and innovation of the economic, political, cultural, and social systems, and open wider to the outside world; we must improve the scientific nature of policy making and the co-ordination of reform measures and establish and improve systems and mechanisms that are full of vigour, efficient, and more open.

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- It is necessary to uphold democracy and the rule of law. We must step up the development of socialist democracy and the rule of law; we must develop socialist democracy, implement the fundamental principle of administering the country according to law, and build a socialist country under the rule of law; we must establish the concept of the socialist rule of law, enhance the whole of society's awareness of law, push forward the institutionalization and standardization of the country's economic, political, cultural, and social lives, gradually form a guarantee system for social fairness, and promote social equality and justice.

- It is necessary to persist in properly handling the relationship between reform, development, and stability. We must balance the momentum of reform and the speed of development against the people's resilience, maintain social stability and unity, promote harmony through reform, consolidate harmony through development, guarantee harmony with stability in order to ensure that the people live and work in peace and contentment, the society is stable and orderly, and the country is in a long period of stability.

- It is necessary to persist in the participation of the whole of society under the leadership of the party. We must persist in exercising state power in a scientific and democratic way and according to law, bring into play the party's role as the core of leadership, and protect the people's position as the mainstay; we must unite with all forces that can be united and bring every possible factor into play in order to form a lively situation in which everyone bears his share of the responsibility for promoting harmony, and everyone shares a harmonious society.

III. Persisting in bringing about co-ordinated development and strengthening the building of social undertakings

Development is the prerequisite of social harmony. Social harmony depends to a considerable degree on the level of development of the productive forces and on the co-ordinate nature of development. We must persist in solving problems cropping up on our way forward through development, vigorously develop the social productive forces, and keep creating a solid material foundation for social harmony. At the same time, we must pay more attention to solving problems of unbalanced development and the development of social undertakings and push forward economic and social development in a co-ordinated way.

1. The building of a new socialist countryside should be pushed forward in a down-to-earth way, and the co-ordinated development of urban and rural areas should be promoted. We should implement the principles of industry nurturing agriculture, cities supporting the countryside, giving more, taking less, and loosening control; we should quickly establish systems and mechanisms conducive to changing the dual structure in urban and rural areas, carry out overall rural reform, and promote the increasing efficiency of agriculture, the rapid development of rural areas, and the continued increase of peasants' incomes. We should uphold the basic rural operating system, guarantee peasants' various rights in land contracting and operations, develop peasants' specialized co-operative organizations, and strengthen the service functions of rural collective economic organizations. We should strengthen policies supporting and benefiting peasants, increase state input in agriculture and rural areas, and improve the banking service system in the countryside. We should speed up agricultural scientific and technological progress,

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promote the building of a modern agriculture, develop industrialized agricultural production, and expand overall agricultural production capacity. We should adjust and optimize the rural economic structure, actively and properly push forward urbanization, and develop and expand inter-county economies. We should step up our efforts to aid the poor, improve the aid-the-poor mechanism, and accelerate the improvement of poor peasants' production and living conditions. Governments at various levels should shift the stress of infrastructure construction and the development of social undertakings to the countryside, the newly added expenditures by the state for education, health, culture, and other undertakings and the increased investment in fixed assets should be used mainly for rural areas, and the proportion of proceeds from the transfer of state-owned land to be used for rural areas will gradually increase. The strictest possible system for protecting farmland will be implemented, and it is necessary to strictly control the scale of requisitioned land, accelerate the reform of the land requisition system, raise the standard for compensation, explore effective ways to ensure peasants' immediate interests and long-term and stable incomes, and effectively solve the problems of employment and social security for peasants whose land has been requisitioned. Efforts should be made to step up propaganda and education among the peasants, accelerate the training of new-type peasants, and bring into full play the role of the peasants as the mainstay in building a new socialist countryside.

2. Implementing the overall strategy for regional development and promoting co-ordinated regional development. We should continue to push forward the large-scale development of the western region, reinvigorate Northeast China and other old industrial bases, advance the rise of the central region, and encourage the eastern region to take the lead in bringing about development in order to form a regional industrial structure featuring a reasonable division of work, distinguishing features, and mutual complement to promote common development among various regions. More support should be given to less developed areas and areas with financial difficulties. The funds from transfer payments by the central treasury are to be used mainly for the central and western regions in order to improve the two regions' infrastructural facilities and education, heath, cultural, and other public facilities as soon as possible and to gradually narrow the gap between regions in basic public services. More transfer payments should be made to support old revolutionary base areas, ethnic minority areas, border areas, major grain-producing areas, poverty-stricken areas, mineral resources mining areas, and areas with a heavier task in protecting the ecological environment. More support should also be given to ethnic groups with small populations. It is necessary to support economically developed areas to speed up the optimization and upgrading of the industrial structure and the transfer of industries, to support competitive industries in the central and western regions, and to accelerate the transformation of their advantages in resources into economic advantages. We should encourage the eastern region to bring along and assist in the development of the central and western regions. Developed areas should increase their assistance to less developed and ethnic minority areas in order to form a mutually beneficial mechanism with the government playing a leading role, the market as the link, enterprises as the main players, and projects as the carrier. We should continue to bring into play the role of special economic zones and the Pudong New Area in Shanghai and promote the development and opening up of the Binhai New Area in Tianjin and other areas with better conditions. We should establish and

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improve a system for the compensatory use of developed resources and a compensation mechanism and take measures to support resources-declining or resources-exhausted areas with financial difficulties to shift away from dependence on resources economically.

3. Implementing a positive employment policy and developing a harmonious labour relationship. Increasing employment should be taken as an important objective of economic and social development and economic restructuring, and bringing about economic development and increasing employment should interact favourably on each other. Vigorous efforts should be made to develop labour-intensive industries, modern services, the non-public sector of the economy, and small and medium-sized enterprises and to increase job opportunities through various channels and in various ways. We should implement fiscal and tax policies to promote employment and actively support people to look for jobs on their own or become self-employed. We should improve the vocational training system oriented to all workers and step up the training for those who are going to become self-employed and for those who are to be re-employed. We should deepen the reform of the household registration, labour and employment, and other systems and gradually form a unified market for qualified personnel and a unified labour market in both urban and rural areas; we should improve the policy on the flow of personnel and standardize and develop employment service organizations. We should strengthen the government's functions in promoting employment and make overall planning for effectively doing the work relating to urban dwellers entering the job market for the first time, surplus rural laborers finding employment, and laid-off personnel seeking re-employment; we should increase employment guidance and services for college graduates and ex-servicemen. We should expand the support scope of the re-employment policy, improve the re-employment assistance system, make vigorous efforts to help families with no-one employed and people with difficulty finding jobs seek employment. We should improve the mechanism for co-ordination of labour relationships, implement the labour contract system and the collective consultation system in an all-round way, and ensure the issue of wages on time and in full. We should strictly implement state labour standards, strengthen labour protection, improve the system of oversight over job security and the mechanism for the arbitration of labour disputes, and protect the legitimate rights and interests of workers, especially migrant rural workers.

4. Persisting in giving priority to the development of education and promoting fairness in education. We should implement the party's education policy in an all-round way, vigorously carry out the strategy of reinvigorating our country through science, education, and trained personnel; we should promote competence-oriented education in an all-round way, deepen the reform of education, and improve the quality of education; and we should establish modern national education system and a system of life-long education and guarantee that the people have the opportunity to receive a good education. Public education resources should persistently tilt in favour of rural areas, the central and western regions, poverty-stricken areas, border areas, and ethnic minority areas, the gap between urban and rural areas and among various regions in the development of education should be narrowed step by step, and efforts should be made to promote the co-ordinated development of public education. Governments at various levels should clearly define their responsibility for providing public services in education, ensure that the range of increase in the expenditure for

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education is larger than that of increase in regular revenue, and gradually have the fiscal expenditure for education account for 4 per cent of the gross domestic product (GDP). We should make nine-year compulsory education universal and consolidate the achievements in this regard; we should implement the mechanism for guaranteeing the expenditure for education in rural areas, tuition and miscellaneous fees for all rural students receiving compulsory education should be eliminated, and tuition and miscellaneous fees for all urban students receiving compulsory education should be eliminated step by step. The policy on providing free textbooks to students from poor families and living allowances to poor students residing on campus should be implemented in an all-round way, and efforts should be made to ensure that migrant rural workers' children can receive compulsory education. We should accelerate the development of vocational education and training networks and make efforts to enable every worker to have knowledge and skill. We should maintain the rational growth of student enrolment by institutions of higher learning, pay attention to increasing students' practical abilities, creativity, capability of finding jobs, and their ability to start new undertakings. We should improve the national scholarship and grant system for higher education and for high- and middle-level education, implement the policy on providing student loans, and encourage society to donate money to help students. It is essential to standardize the kinds and criteria of fees collected by schools and to strictly curb arbitrary charges levied by the schools. The homework assignments for primary and secondary school students should be effectively reduced. Efforts should be made to improve the level of teachers, especially rural school teachers. The ideological and political work and administrative work of schools should be improved in order to raise the ideological and moral qualities of teachers and students. We should guide the sound development of privately run schools. We should vigorously develop continued education and strive to build a study-type society.

5. Strengthening medical and health services to improve the health of the people. We should persist in the public-good nature of public medical and healthcare services and deepen the reform of the medical and healthcare system. The responsibility of the government should be strengthened to exercise strict supervision and management, and a basic heath care system covering both urban and rural residents should be established in order to provide safe, effective, convenient, and inexpensive public health services and basic medical care services. It is necessary to step up the establishment of a public healthcare system, carry out a patriotic health campaign, develop maternity and child healthcare services, strengthen our research on medical science, and improve our abilities to prevent, control, and treat serious diseases. We should improve the medical and healthcare system, with stress on strengthening the three-level healthcare services network in rural areas and on the establishment of a new-type urban healthcare services system with community healthcare services as the foundation; we should implement the measures to guarantee funds for such purposes. We should implement the plan for the development of regional healthcare services and consolidate urban and rural medical and health resources. Urban and rural hospitals should set up co-ordinated support for each other, doctors of major hospitals and those of community healthcare organizations should treat patients in each other's facilities, senior and mid-level health technicians should regularly go to work at the grassroots level. Efforts should be made to strengthen the training of medical and health personnel for rural areas. It is necessary to promote the regional

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and professional management of medical organizations, and straighten out the administrative system of medicines and health services; we should further separate the functions of government from those of medical organizations, the functions of those in charge from those of personnel doing professional work, medical care services and from medicines, and commercial organizations from noncommercial ones. We should strengthen the public-service functions of public hospitals, step up the development of medical ethics and style, standardize the management of income and expenses, and rectify the tendency towards seeking undue profits. We should establish a basic national system of medicines, straighten out the order of production and circulation of medicines, and ensure the use of basic medicines by the masses. We should strengthen oversight over food, drugs, and beverages to ensure the health and safety of the people. It is necessary to strictly examine the qualifications of medical organizations, medical technology, and medical personnel, guide social funds into setting up medical and healthcare organizations in accordance with the law, and support qualified medical personnel to open a private practice according to law in order to make it convenient for people to see a doctor. Vigorous efforts should be made to support the development of Chinese medicine, traditional Chinese medicines, and medicine and drugs of ethnic groups.

6. Accelerating the development of cultural undertakings and industries to satisfy the cultural needs of the people. We should persist in putting social effects in the first place and in developing public cultural undertakings as an important way to guarantee the people's cultural rights and interests; we should promote the simultaneous development of cultural undertakings and cultural industries. We should push forward the reform of the cultural system to form a cultural management system and a mechanism for the production and marketing of cultural production that are full of vigour. We should step up the building of public cultural facilities, encourage social forces to donate funds to help set up public cultural undertakings, and quickly establish a public cultural service system covering the whole of society. We should give priority to making arrangements for the building of the cultural projects concerning the vital interests of the masses and particularly do a good job in carrying out the project of making radio and television coverage reach all villages, the project of building comprehensive cultural stations (offices) in communities, towns, and townships, and the project of sharing national cultural information. We should improve the policy on cultural industries, foster the state-owned and state-holding key cultural enterprises, and encourage non-public capital enter cultural industries according to law; we should use major cultural industrial projects to bring along cultural development, to promote intensive operations, to provide varied and reasonably priced cultural products and services, and to enhance the international competitiveness of our cultural products. Efforts should be made to strengthen the protection of cultural heritage. We should step up the building of sports facilities in urban and rural areas and communities, carry out a nationwide fitness programme, and raise the level of competitive sports.

7. Strengthening the improvement and protection of the environment and promoting the harmony of man and nature. We should speed up the building of a conservation-minded and environment-friendly society with stress on solving the environmental problems harming the health of the masses and affecting sustainable development. We should optimize the industrial structure, develop the recycling sector of the economy, promote clean production, and economize on energy and

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resources. We should eliminate backward technology and production capacities according to law in order to bring environmental pollution under control at its resources. We should carry out major ecological and environmental improvement projects to effectively check the tendency towards the worsening of the ecological environment. We should make an overall plan for the improvement of the environment in both urban and rural areas, step up the comprehensive improvement of the urban environment, and improve the living environment and the appearance of villages in the countryside. We should quickly make innovation in environmental science and technology and step up the carrying out of special projects for the prevention and control of pollution; we should strengthen control over the total charge of pollutants and lay stress on preventing and controlling pollution affecting water, air, and land. We should improve the industrial, fiscal and tax, and price policies that are conducive to environmental protection, establish an ecological environment assessment system and a compensation mechanism, and strengthen the duty of all enterprises and the whole of society to economize on resources and protect the environment. We should improve the laws and regulations on environmental protection and the management system. We should strictly enforce the laws on environment, strengthen oversight over the environment, regularly publish information on the situation of the environment, and sternly punish those violating the law in this regard. We should stabilize the low birthrate, effectively check the growing gender imbalance in newborns, and improve the quality of the population.

IV. Stepping up institutional development and ensuring social equality and justice

Social equality and justice are a basic condition for social harmony, and systems are a basic guarantee for social equality and justice. We should step up our efforts to establish systems that are of great significance for guaranteeing social equality and justice, in order to ensure the rights and interests of people in the political, economic, cultural, social, and other aspects and to guide citizens in exercising their rights and fulfilling their obligation according to law.

1. Improving the system of guaranteeing democratic rights and consolidating the political position of the people as the masters of the country. We should combine the need to uphold the party's leadership and to ensure that the people are the masters of the country with the need to rule the country by law. It should be ensured that the people go in for democratic elections and decision-making and exercise democratic management and supervision according to law. We should actively and properly push forward the reform of the political system, improve the democratic system, enrich the forms of democracy, and ensure that socialist democracy is institutionalized and standardized and has its procedures and that the people enjoy extensive democratic rights. We should uphold and improve the system of people's congresses, the system of multiparty co-operation and political consultation led by the CCP, and the system of regional autonomy for ethnic minorities, expand the orderly political participation of citizens at various levels, and guarantee the citizens' right to administer state affairs, economic and cultural undertakings, and social affairs according to law. We should promote making policy decisions in a scientific and democratic way, make government affairs more open, and guarantee citizens' rights

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to know, participate, express, and supervise according to law. We should expand democracy at the grassroots level, improve the systems of making factory and village affairs open and the other systems of handling affairs in a transparent way, improve the basic-level democratic management system, bring the self-governing functions of society into play, and ensure that the people can directly exercise their democratic rights according to law.

2. Improving the legal system and building a solid legal foundation for social harmony. We should safeguard the unification and sanctity of the socialist legal system and establish its authority. We should uphold that all citizens are equal before the law, respect and guarantee human rights, and guarantee citizens' rights and freedom according to law. We should persist in enacting laws in a scientific and democratic way, improve and develop democracy, guarantee citizens' rights, and promote the development of social undertakings; we should improve social security, standardize social organizations, and strengthen the laws and regulations on social management. We should accelerate the building of a government under the rule of law, comprehensively promote exercising state power according to law, and exercise our power and perform our duties in strict accordance with the legal authority and procedure. We should improve the accountability system for the enforcement of administrative laws and improve the systems of administrative reconsideration and administrative compensation. We should strengthen restraint on and supervision over the exercise of power and strengthen oversight over administrative and judicial organs. We should expand and standardize legal services and strengthen and improve our legal assistance work. We should extensively conduct propaganda and education about the law and form an atmosphere in which all citizens conscientiously study, observe, and apply the law.

3. Improving the judicial system and mechanism and strengthening the judicial safeguards for social harmony. We should persist in administering justice for the people and in an impartial way, push forward the reform of the judicial system and the judicial work mechanism, establish an impartial, highly efficient, and authoritative socialist judicial system, and bring the functional role of the judiciary into play in upholding equality and justice. We should improve the lawsuit, procuratorial supervision, punishment execution, education rectification, judicial appraisal, criminal compensation, judicial examination, and other systems. We should step up the development of judicial democracy and improve the open trial, people's jury, and people's overseer, and other systems; we should bring the positive role of lawyers, notarization, reconciliation, mediation, and arbitration into play. We should strengthen judicial assistance and reduce or exempt poor people's litigation costs. We should improve circuit justice, expand the scope of application of simple and easy procedures, and implement the system of informing the party to a lawsuit of his or her rights and obligations in order to make it convenient for members of the masses to bring a lawsuit. It is necessary to standardize the fees for lawsuits, lawyers, and arbitrators. We should strengthen the judicial protection of human rights and conduct judicial proceedings in strict accordance with legal principles and procedures. We should improve the mechanism for the execution work and strengthen and improve this work. We should safeguard the honest of the judiciary and strictly investigate and deal with the legal responsibility of those taking bribes and returning a verdict in someone's favour and those being of dereliction of duty.

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4. Improving the public financial system and gradually equalizing basic public services. We should improve the public financial system, adjust the structure of revenue and expenditure and put more funds in the field of public services; we should put more funds in education, health, culture, employment and re-employment services, social security, ecological environment, public infrastructural facilities, public order, and other aspects. We should further define the work and authority of the central and local governments and improve the fiscal and tax systems under which financial resources are compatible with work and authority. We should improve the measures for sharing taxes by the central and local governments, step up the efforts to make transfer payments, and advance the standardization and institutionalization of transfer payments. We should ensure the needs of governments at various levels in building themselves. We should improve the financial reward and subsidy policies and the fiscal management system below the provincial level; we should make efforts to solve financial difficulties for counties and townships and increase the ability of basic-level governments to provide public services. We should gradually expand the scope of state investment and keep increasing our ability to provide public products and public services.

5. Improving the income distribution system and standardizing the order of income distribution. We should uphold the system under which distribution according to work is dominant and a variety of modes of distribution coexist. We should strengthen macroeconomic regulation of income distribution; we should pay more attention to social equality, make efforts to raise the income level of low-income people, and gradually increase the proportion of middle-income people on the basis of economic development; then, we should effectively regulate excessively high income, resolutely ban any illegal income, and promote common prosperity. By increasing job opportunities, we should establish a long-term mechanism for peasants to increase their incomes and reduce their burdens, improve the medium wage system and the mechanism for normal wage growth, raise the standard for social security step by step, and improve the income level of low-income people. We should improve the income distribution system with such production factors as labour, capital, technology, and management participating in distribution according to each person's contribution. We should improve the national unified salary system for public servants which combine positions with ranks; we should standardize the standards for regional allowances and subsidies and improve the allowances system for employees in remote and inhospitable areas. We should accelerate the reform of public institutions and implement a distribution system compatible with their characteristics. We should strengthen regulation and control over enterprise wages, increase guidance in this regard, and bring the guiding role of information about the wage guiding line, labour market price, and industrial labour cost into play in the wage level. We should standardize the salaries for the operators and managers of state-owned enterprises and determine a rational proportion of a manager's salary to a worker's wage. We should accelerate the reform of monopoly industries, adjust the distribution relationship between the state and the enterprise, and improve and strictly implement the total wages control system. We should establish and improve a state-owned assets operation budget system and guarantee the owner's rights and interests. We should implement a personal income tax system combining comprehensive income tax with classified income tax and strengthen the collection, management, and regulation of income tax.

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6. Improving the social security system to ensure that the masses have basic necessities of life. To adapt to the ageing of the population, urbanization, and the diverse forms of employment, we should gradually establish a social security system covering both urban and rural areas and connecting social insurance, social relief, social welfare, and charities. We should raise social security funds through various channels, strengthen the management of the funds, and make sure that the social security funds will preserve and increase their value. We should improve the system of basic old-age insurance for enterprise workers and staff members, strengthen the collection of contributions for the insurance funds under a co-ordinated plan and gradually make sure that personal retirement accounts are fully funded; we should vigorously promote the collection of contributions to the funds at the provincial level under a co-ordinated plan; when conditions permit, the basic retirement benefits for workers will be raised by the state nationwide under a co-ordinated plan. We should accelerate the reform of the old-age insurance system in government organs and institutions. We should gradually establish a system of subsistence allowances for rural residents; in localities where conditions permit, people can explore ways to establish diverse forms of old-age insurance system. We should improve the basic medical insurance system for workers and staff members in cities and towns, establish a medical insurance system for urban residents with serious diseases mainly treated under a co-ordinated plan, and develop social medical assistance. We should promote the new system of co-operative medical and healthcare services in rural areas. We should push forward the establishment of unemployment, industrial injury, and birth insurance systems. We should accelerate the establishment of a social security system compatible with the characteristics of migrant rural workers. We should step up our aid for the poor masses, improve the system of subsistence allowances for urban residents, the system of providing for the five-guarantee families in rural areas [wu bao: food, clothing, housing, medical care and burial expenses], the system for providing assistance to families in extreme poverty, the system for providing relief to disaster victims, and the system of providing assistance to vagrants and beggars with no means of support in cities. We should improve pacification and settlement policies. We should develop social welfare with stress on helping the aged, aiding the disabled, and providing relief to orphans and to poor people. We should carry forward a humanistic spirit, develop the undertakings of the disabled, and guarantee their legitimate rights and interests. We should develop the undertakings of the aged and provide diverse forms of services to them. We should develop charities, improve the policy to exempt or reduce tax on social donations, and enhance the whole of society's awareness of charities. We should give play to the important role of commercial insurance in improving the social security system. We should broaden the channels for fund raising, speed up the building of inexpensive-rent housing, and standardize and step up the building of low-cost and suitable housing in order to gradually solve the problem that low-income families in urban areas have difficulty finding housing.

V. Developing harmonious culture and consolidating the ideological and moral foundation for a harmonious society

Developing harmonious culture is an important task in building a socialist harmonious society. The system of socialist core values is the basis for the

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development of harmonious culture. We must uphold the guiding position of Marxism in the ideological sphere, firmly grasp the orientation of advanced socialist culture, carry forward the fine cultural tradition of the nation, draw on the useful achievements of human civilization, promote harmonious ideas, foster a harmonious spirit, further form common ideals, beliefs, and moral standards for the whole of society, and lay a solid ideological and moral foundation for concerted struggle by the whole party and the people of all ethnic groups across the country.

1. Establishing the system of socialist core values and forming the spiritual ties of the whole nation exerting itself to make progress and to be united and harmonious. The guiding ideology of Marxism, the common ideal of the socialism with Chinese characteristics, the national spirit with patriotism as the core, the spirit of the times with reform and innovation as the core, and the socialist concept of honour and disgrace constitute the basic contents of the socialist core values system. We should persist in integrating the socialist core values system into the entire process of national education and the building of a spiritual civilization and having it run through the various aspect of the modernization drive. We should persistently use the latest achievements of Sinicizing Marxism to arm the whole party and educate the people, unite the forces and arouse people's vigour with the national spirit and the spirit of the times, promote patriotic, collectivist, and socialist ideas, and step up education in ideals and convictions; we should step up education in the conditions of the country, the situation, and policies and keep strengthening people's conviction and confidence in the leadership of the Communist Party, the socialist system, the cause of reform and opening up, and the objective of building a well-off society in an all-round way. We should step up the research and development of the Marxist theory and enhance the creativity, persuasion, and appeal of the party's ideological and theoretical work. We should persist in guiding the social trends of thought with the socialist core values system, respect differences, tolerate diversity, and form a consensus on social ideas to the largest possible extent.

2. Establishing the socialist concept of honour and disgrace and cultivating a civilized and moral practice. We should persistently combine governing the country by law with governing the country by virtue, establish the socialist concept of honour and disgrace, with ''eight honours and eight disgraces'' as its main content, and promote such moral standards as patriotism, respecting work, trustworthiness, and friendliness; we should conduct education in social ethics, professional ethics, and family virtue, step up the ideological and moral development of the young people, and form the practice of understanding honour and disgrace, stressing healthy trends, and promoting harmony and an interpersonal relationship featuring equality between men and women, respecting the old, cherishing the young, supporting the poor, helping those in difficulty, giving precedence to others out of courtesy, and tolerance. We should popularize scientific knowledge, carry forward a scientific spirit, and cultivate a healthy and civilized way of life. We should carry forward the spirit of arduous struggle, promote hard work and frugality, and oppose money worship, hedonism, and out-and-out egoism. We should carry forward the part of our country's traditional culture that is favourable to social harmony and form the moral standards and the code of conduct conforming to traditional virtue and the spirit of the times. We should step up the development of trustworthiness in government, business, and society and enhance the awareness of honesty and trustworthiness in society as a whole.

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3. Keeping to the correct orientation and building a positive and healthy atmosphere of ideology and public opinion. The correct orientation of ideology and public opinion are an important factor for promoting social harmony. The press, publishing, radio, film, television, literature and art, and social sciences should keep to the correct orientation, give full scope to the central theme of our times, and build a favourable atmosphere of ideology and public opinion for reform, development, and stability. News media should enhance their sense of social responsibility, propagate the party's views, develop healthy social trends, report on the conditions and opinions of the people, guide social hot-spot problems, regulate the feelings of the public, and do a good job in oversight over public opinion. They should improve the mechanism for reporting on unexpected incidents and release accurate news in time. We should step up the use and management of the Internet, straighten out the management system, promote the setting up and logging on to websites in a civilized way, and make news media of various kinds important fronts for promoting social harmony. Philosophy and social sciences should persistently take Marxism as their guidance and research on major realistic issues as their main direction of attack and play their role in knowing the world, passing on and inheriting civilization, innovating in theories, offering advice to the government, educating people, and serving society. Literature and art should carry forward the true, the good, and the beautiful and create or produce more works moulding a person's temperament, making people delighted, or enriching people's cultural life. We should make unremitting efforts to "fight against pornography and illegal publications".

4. Extensively carrying out activities to build a harmonious society and forming a situation in which everyone promotes harmony. We should pay attention to strengthening the social responsibility of citizens, enterprises, organizations of various kinds and combine the activities to build harmonious communities and harmonious families with those by the masses to build a spiritual civilization; we should lay stress on the connotation of ideological education, extensively attract people to participate in such activities, and form a social atmosphere of all for one and one for all. With mutual concern and love and service for the society as the theme, we should carry out in-depth social voluntary service activities in both urban and rural areas and establish a voluntary service system connecting with government and market services. We should pay attention to promoting psychological harmony, strengthen humanistic concern and psychological regulation, guide people in treating themselves, others, and the society correctly and dealing with difficulties, setbacks, and honours correctly. We should step up education in psychological health and healthcare, improve the psychological consulting network, and form a social state of mind featuring self-confidence, reason, peace, and positive progress.

VI. Improving social management and maintaining the stability and order of society

Strengthening social management and maintaining social stability are an inevitable requirement for building a socialist harmonious society. We should innovate in the social management system, consolidate the sources for social management, and improve the level of social management; we should improve the pattern of social management under the leadership of party committees, with responsibility placed on the government, and with social co-operation and participation by the public, so that

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such a pattern of social management exercise management while providing services, and such management embodies services.

1. Building a service-oriented government and strengthening the functions of social management and public services. Serving the people is the sacred duty of governments at all levels and the basic norm for all public servants. We should deepen the reform of the administrative system, optimize the setup of government bodies, pay more attention to performing the functions of social management and public services according to the requirements for changing governing functions, making authority and responsibility consistent with each other, stepping up the providing of services, improving management and efficiency. With stress on the development of social undertakings and the solution of problems concerning the people's livelihood, we should optimize the allocation of public resources, pay attention to tilt such allocation in favour of rural areas, basic units, and less-developed areas, and gradually form a public basic service system benefiting all people. We should make innovation in the public service system, improve the forms of public services, and step up the building of public facilities. We should deepen reform of the system of administrative examination and approval, further reduce and standardize items of administrative examination and approval, simplify administrative procedures, and innovate in the management system in order to provide convenient, fast, and good-quality services for the masses and basic units. We should make government affairs more open, accelerate the development of e-government, promote the informatization [xin xi hua] of public services, and release public information in time so as to create favourable conditions for the daily life of the masses and for them to participate in economic and social activities. We should improve the system of policies on public services, raise the quality of public services, and boost popular confidence in government. We should separate the functions of government from enterprise management and from the functions of institutions and support social organizations to participate in social management and public service. We should strengthen oversight over the market and rectify and standardize its economic order.

2. Pushing forward the building of communities and improving the services and management network at the grassroots level. We should carry out the building of communities in urban areas in an all-round way, actively push forward the building of communities in rural areas, and improve the new system for community management and services; we should build well-managed social-life communities providing good services and featuring civility and harmony. We should improve self-governance by residents (villagers), support neighbourhood (villagers') committees in assisting governments in doing a good job of providing public services and exercising social management; we should give play to the positive role of locally stationed army units, nongovernmental organizations, property management organizations, and specialized co-operative economic organizations in building communities; we should connect government administration with communities' self-management and bring about a sound interaction between implementation of government administration according to law and the practice of self-governance by residents in accordance with the law. We should strengthen the service for and management of the floating population and encourage the floating population to live in harmony with local people. We should improve public services in communities, develop mass mutual-aid and self-help services, and develop modern services in communities.

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3. Improving social organizations and strengthening their function of serving society. We should persist in laying equal stress on fostering and development on one hand and management and supervision on the other, improve the policies on fostering, supporting, and managing social organizations according to law, and give play to the role of various social organizations in providing services, reflecting appeals, and setting standards for conduct. We should develop and standardize lawyers' notarization, accounting, asset assessment, and other organizations and encourage social forces to set up non-enterprise private units in education, science and technology, culture, health, sports, social welfare, and other fields. We should bring the functions of trade associations, professional societies, chambers of commerce, and other social organizations into play in serving economic and social development. We should develop and standardize various foundations and promote the development of public good undertakings. We should guide various social organizations in strengthening themselves and enhancing their self-discipline and trustworthiness.

4. Making an overall plan for co-ordinating the interests of all quarters and properly handling social contradictions. We should form scientific and efficient mechanisms for the co-ordination of interests, for the expression of appeals, for the mediation of contradictions, and for the guarantee of rights and interests conforming to the development and change of the social structure and the pattern of interests in our country. We should regard the continued improvement of people's lives as an important link in balancing reform, development and stability, correctly grasp the fundamental interests of the overwhelming majority of the people, the common interests of the masses at the present stage, and the special interests of different masses, and give overall consideration to the concerns of the masses in various quarters. We should broaden the channels for people to express social conditions and their opinions, implement a system for cadres to receive members of the masses, and improve the system for party and government leading cadres, party representatives, people's congress deputies, and members of the committees of the Chinese People's Political Consultative Conference (CPPCC) to maintain close ties with the masses; we should improve the responsibility system of handling people's letters and visits, establish a national system of information on letters and visits from the people, build diverse platforms for communication, and bring the masses' appeals for interests onto the track of institutionalization and standardization. We should improve the mechanism for collecting and analysing public opinion and the system for investigating and mediating contradictions and disputes. We should establish a mechanism for protecting the rights and interests of the masses with the party and government playing the leading role, integrate people's mediation and administrative mediation with judicial mediation, adopt more mediating methods, and make comprehensive use of legal, policy, economic, administrative and other means and education, consultative, and enlightening measures to resolve contradictions at the basic level and in the bud. We should make vigorous efforts to solve problems concerning land expropriation and requisition, the demolition of urban housing for urban construction, environmental protection, enterprise reorganization, restructuring, or bankruptcy, and the law or lawsuits and problems about which the masses have strongly complained. We should resolutely rectify acts that jeopardize the interests of the masses. We should firmly handle affairs according to law and policies, bring the advantages of the ideological and political work into play, vigorously

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prevent and properly deal with mass disturbances caused by contradictions among the people, protect the interests of the masses, and maintain social stability.

5. Improving the emergency management system and mechanism and dealing effectively with various risks. We should implement an emergency management system featuring systematic management, duties performed at different levels, and integration of departments and regions at various levels and with the areas under jurisdiction as the mainstay and set up an emergency mechanism featuring unified leadership, quick response, orderly co-ordination, and highly efficient operation in order to deal effectively with natural disasters, catastrophic accidents, public health emergencies, and other threats to public security and to increase our ability to manage and resist risks. According to the principle of attaching equal importance to preventing and meeting emergencies and combining normality with abnormality, we should build a unified and highly efficient emergency information platform, build a compact and practical contingent of professional personnel to perform emergency rescue and relief work, improve the system of contingency plans for meeting emergencies, and improve the laws and regulations on emergency management; we should step up propaganda and education on emergency management and increase the public's ability to participate in meeting emergencies and save themselves; we should bring about the joint action of early warnings, social mobilization, rapid response, and emergency handling as a whole. We should persist in putting safety first and taking prevention as the primary factor, solve problems in a comprehensive way, and improve the system, mechanism, laws, regulations, and policies on safety in production; we should increase the input in this regard, perform our duties, exercise strict management, strengthen supervision, and resolutely curb major and extraordinarily serious accidents.

6. Improving public order in a comprehensive way and enhancing the people's sense of security. We should adhere to the principle of combining punishment with prevention with emphasis on the latter and combining special agencies with the masses by relying on the latter, improve the crime prevention and control system, extensively carry out activities to build a peaceful environment, and implement the measures for improving public order in a comprehensive way at the basic level in order to ensure the stability of the overall situation in public order. We should crack down on serious criminal activities according to law, make vigorous efforts to deal with serious crimes and areas with serious security problems, eliminate such ugly social phenomena as pornography, gambling, and drug abuse, and resolutely curb the momentum of a high crime rate. We should implement a judicial criminal policy that tempers justice with mercy, reform the judicial system for juveniles. and vigorously promote making corrections in communities. We should show more concern for homeless and helpless children and the children of those who are serving their sentences, step up the education of those children, strengthen the reform and management of drug addicts, and improve the work relating to helping, educating, and making arrangements for those who are released after serving their sentences or after receiving re-education through labour. We should improve the political and legal guarantee system, step up the building of public security stations, judicial stations, people's courts, and other basic units, and reform and strengthen police work in communities; we should build the first platform for serving the masses and maintaining stability. We should steadfastly enforce laws in the interests of the people, strengthen the building of the contingents of procuratorial, judicial, and

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public security personnel, and ensure that this contingent enforces laws strictly, impartially, and in a civilized way and that it is always loyal to the party, the motherland, the people, and the law.

7. Strengthening the work relating to national security and the building of national defence and ensuring the stability and security of the country. We should raise the people's awareness of the importance of national security, improve the strategy of national security and scientific, co-ordinated, and highly efficient work mechanisms, and effectively deal with various traditional and non-traditional threats to security; we should crack down on infiltrating, subversive, and sabotage activities carried out by hostile forces at home and abroad and safeguard the political, economic, cultural, and information security of the country. We should uphold the party's absolute leadership over the armed forces, steadfastly balance the building of national defence and economic construction, and push forward the revolution, modernization, and standardization of the armed forces in an all-round way; we should promote the revolution in military affairs with Chinese characteristics, adhere to the strategic principle of active defence, do a good job in making preparations for military struggle, and increase our ability to deal with crises, maintain peace, stop war, and win battles; we should strive to provide a strong guarantee for consolidating the party's ruling position, a security guarantee for protecting the period of important strategic opportunities for the development of the country, and an effective strategic support for safeguarding the interests of the country; we should play an important role in safeguarding world peace and promoting common development and unswervingly safeguard the security and unification of the country and its territorial integrity. We should strengthen the building of the armed police force in an all-round way. We should enhance the people's awareness of the importance of national defence, improve the mobilization system and mechanism for national defence, carry out in-depth work relating to "double support" and make joint efforts to build a spiritual civilization, and consolidate the unity of the armed forces and the people.

VII. Arousing the vigour of society and promoting social unity and harmony

A socialist harmonious society will be a society full of vigour and also a united and harmonious society. It is necessary to arouse the vigour of society to the largest possible extent, to promote a harmonious relationship between various political parties, between various ethnic groups, between various regions, between various strata, and among compatriots at home and abroad, and to consolidate the great unity of the people of all ethnic groups across the country and that of all sons and daughters of the Chinese nation at home and abroad.

1. Strengthening the creative vigour of the whole of society and bringing about a lively situation in which all people are of one mind to create great undertakings. We should implement the principle of respecting work, knowledge, competent people, and creation, bring the initiative of the people into play, and make it possible for the whole of society to release all its creative energy, for new achievements in innovation to emerge one after another, and for pioneering activities to develop vigorously. We should uphold the view that the people are the makers of history. The party and government should draw on the wisdom from the people's creative practice to make major policy decisions and work plans, which should be stand up to tests and which should rely on the people to put into practice and achieve practical results. We

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should persist in giving play to the decisive role of productive forces as the most active and revolutionary factor; we should remove various obstacles through in-depth reform, improve the fair competition mechanism and the modern system of property rights, and keep liberating and developing productive forces. We should persist in having an innovative spirit run through various links in governing the country and administering the government and making it possible for bringing into play all creative talents that are conducive to social progress; we should protect people's enthusiasm for making innovation, encourage innovative practice, improve the innovation mechanism, bear with setbacks in making innovation, enhance our capability for independent innovation, and build an innovation-oriented country. We should carry forward the spirit of relying on our own efforts, putting up a tenacious fight, and with unity and co-operation, encourage people to pioneer on an enterprise on his own, with painstaking efforts, and in a harmonious way; we should build a social environment in which to encourage people to engage in undertakings and to support them to do so successfully and in which all should make efforts to undertake the great cause of socialism with Chinese characteristics.

2. Consolidating and strengthening the broadest possible patriotic united front and fully arousing the enthusiasm of people in all quarters. We should hold high the great banner of patriotism and socialism, give play to the unique advantage of the united front in promoting social harmony, support the committees of the CPPCC in performing the functions of political consultation, democratic supervision, and participation in administration and the discussion of state affairs and bringing their role into play in co-ordinating relations, assembling forces, offering advice, and serving general interests around the two major themes of unity and harmony; we should strengthen the unity and harmony of various political parties, organizations, ethnic groups, strata, and people in various circles. We should implement the principle of long-term coexistence, mutual supervision, treating each other with sincerity and sharing weal and woe, step up our co-operation with democratic parties and personages without party affiliation, and keep developing the cause of socialist multiparty co-operation in our country. We should adhere to the principle of relying on the working class wholeheartedly, bring into play the role of the working class, including the intellectuals, and the broad peasant masses as the basic force in pushing forward economic and social development, and encourage and support all the builders of the socialist cause, including new social strata, to contribute to economic and social development. We should conscientiously implement the party's policies on ethnic minorities and firmly grasp the themes of concerted struggle and common prosperity and development for the people of various ethnic groups; we should extensively carry out activities to promote ethnic unity and progress, consolidate and develop socialist relations among ethnic groups based on equality, unity, mutual assistance, and harmony in order to enable people of various ethnic groups to live together in pace, work together with one heart, and bring about development in a harmonious way. We should implement the party's policy on the freedom of religious belief in an all-round way, manage religious affairs according to law, adhere to the principle of relying on our own efforts to do religious work, and actively guide religions in adapting to a socialist society; we should strengthen unity among the religious masses, those without religious belief, and those believing in different religions and bring the positive role of religion into play in promoting social harmony.

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3. Strengthening the unity of all sons and daughters of the Chinese nation at home and abroad and striving for the great rejuvenation of the Chinese nation. We will adhere to the principles of "one country, two systems," under which Hong Kong people administer Hong Kong and Macao people administer Macao with a high degree of autonomy, and we will act in strict accordance with the basic laws of the Hong Kong and Macao special administrative regions. Under the banner of loving our country, Hong Kong, and Macao, we will unite people in Hong Kong's and Macao's various circles to safeguard the long-term prosperity and stability of Hong Kong and Macao. We will implement the basic principles of "peaceful reunification" and "one country, two systems" and the eight-point proposal for the current stage of efforts to develop cross-strait relations and promote peaceful reunification of the motherland. We will unswervingly uphold the one-China principle and never give up our efforts to achieve peaceful reunification. We will never change the principle of placing our hopes on the people of Taiwan. We will uncompromisingly oppose secessionist activities aimed at "Taiwan independence". We will promote visits by individuals and economic and cultural exchanges and co-operation across the strait around the themes of cross-strait relations and peaceful development. We will support economic development on the west shore of the Taiwan Strait in Fujian and in other areas where Taiwan investment is concentrated. We will promote the establishment of the "three links" [direct postal, trade and transport links] between the two sides, make the utmost efforts to seek peace, development, and well-being for the people on both sides of the strait in order to have relations between the people on both side become more harmonious and their co-operation more deepened; then, they will work together to maintain peace and stability on the Taiwan Strait and push forward the great cause of reunifying the motherland. We will comprehensively implement the party's policy on overseas Chinese affairs, do our work well among the overseas Chinese, returned overseas Chinese, and their relatives, unite the overseas Chinese, pool their wisdom, and bring their strength into play.

4. Persistently follow the road of peaceful development and building a favourable external environment. We should hold high the banner of peace, development, and co-operation, adhere to an independent foreign policy of peace, steadfastly follow the road of peaceful development, implement a mutually beneficial and win-win strategy in opening the country to the outside world, and safeguard the sovereignty, security, and development interests of the country; we should vigorously strive to develop a peaceful and stable international environment, a friendly neighbouring environment, a co-operative environment based on equality and mutual benefit, a security environment based on mutual trust and co-operation, and a public opinion environment that is objective and friendly. We should adhere to the basic national policy of opening the country to the outside world, open wider to the outside, and vigorously develop economic and technological co-operation with other countries; we should energetically develop our cultural exchanges with other countries, make still better use of both international and domestic markets and resources, and pay attention to strengthening mutually beneficial co-operation to bring about common development. We should develop friendly relations with various countries in the world according to the five principles of peaceful coexistence and other generally accepted norms of international relations and promote the building of a harmonious world with lasting peace and common prosperity.

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VIII. Strengthening party leadership over the building of a socialist harmonious society

The key to building a socialist harmonious society lies in the party. It is necessary to give full play to the role of the party as the core of leadership, to adhere to the principle of building a party that serves the interests of the public and governs for the people, to promote the building of a socialist harmonious society through the building of the party's ability to govern and the development of its advanced nature, and to provide a strong political guarantee for the building of a socialist harmonious society.

1. Improving the ability of leading bodies and leading cadres at various levels to lead the building of a socialist harmonious society. Party committees at various levels should put the building of a harmonious society in a prominent position in their overall work, grasp the orientation, make their policies, consolidate their forces, build a favourable environment, and effectively undertake their leading responsibility. They should persistently improve democratic centralism, expand inner-party democracy, make party affairs more open, lead a strict inner-party life, enforce stern party discipline, strengthen the unity and solidarity of the party, and promote the harmony of society through inner-party harmony. They should set up scientific and highly efficient leadership and work mechanisms, make a clear division of work, and do a good job of co-ordination and guidance; they should enhance their political sharpness, step up their investigation and study of major issues concerning social development, adopt specific and efficient policy measures, and do a good job in resolving prominent contradictions and problems affecting social harmony in their areas or departments. They should keep to the correct orientation for the appointment of personnel, do a good job in selecting personnel to staff leading bodies, and pay attention to selecting and training outstanding cadres who have a good knowledge of social development and management. They should deepen the reform of the personnel system relating to cadres, conscientiously carry out the measures for comprehensive appraisals embodying the requirements of the scientific development concept, take the results of leading social development as a content of performance appraisal, and increase the ability of leading bodies and leading cadres to make overall planning for economic and social development. They should energetically promote the practice of seeking the truth and being pragmatic, encourage cadres to work diligently, strengthen inspection and supervision, and ensure that the central authorities' general and specific policies and work plans are thoroughly carried out. They should step up the research, education, and training of cadres in social development theories and social policies and keep increasing the ability of leading bodies and leading cadres at various levels to manage social affairs, co-ordinate the interests of various quarters, do work on the masses, arouse the creative vigour of society, handle contradictions among the people, and maintain social stability. They should step up the improvement of the party's leadership over trade unions, the Communist Youth League (CYL), women's federations, and other mass organizations and support them in playing their role in maintaining close ties with the masses, serving and educating them, and protecting their legitimate rights and interests.

2. Stepping up basic work at the grassroots level. The stress of building a socialist harmonious society is at the grassroots level. It is necessary to consolidate and

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develop the achievements made in the education carried out to maintain the advanced nature of party members, to step up the building of primary party organizations in rural areas around the building of a new socialist countryside, to do a good job of party building in enterprises, urban communities, government organs and schools, scientific research institutions, cultural organizations, and other institutions, to push forward party building in new economic and social organizations, to expand the coverage of party work, and to bring the role of primary party organizations into play in uniting the people and promoting development and harmony. We should improve the long-term mechanism for party members to receive regular education and always preserve their advanced nature, establish a unified mechanism for the management of development among party members, and mobilize and organize large numbers of party members to set an example of promoting social harmony. We should firmly establish the viewpoint of the masses, trust and rely on the masses in everything, conscientiously study and grasp the characteristics and laws of the party's work on the masses in the new situation, make every possible effort to do work on the masses thoroughly, meticulously, and practically, and always maintain the flesh-and-blood ties with the masses. We should step up the building of primary-level governments with stress on strengthening the function of social services and improving their ability to exercise social management and handle affairs according to law. We should increase the input in the building of primary organizations in urban and rural areas. We should rely firmly on the broad masses to do basic work well at the grassroots level, step up the building of a contingent of basic-level cadres, and formulate and implement systems and measures for the periodic training of cadres, for performance appraisal and incentives, and for the guarantee of salaries. We should set strict demands on basic-level cadres, really cherish them, and vigorously help them solve difficulties in work and daily life. We should show consideration for old model workers and old party members and assist party members with special difficulties in work. We should improve the system for the recruitment and appointment of public servants, pay attention to selecting outstanding cadres from the grassroots level to strengthen party and government organs at various levels, and encourage young cadres and college graduates to render meritorious service and make a distinguished career at the basic level.

3. Building a massive contingent of qualified personnel engaged in social work. Training a rationally structured contingent of good quality social workers is an urgent requirement of building a socialist harmonious society. We should adopt and improve policy measures and institutional guarantees with training, performance appraisal, employment, and incentives as their main content; we should determine professional standards and employment criteria, step up specialized training, and improve the professional quality and level of social workers. We should make plans for training qualified personnel, step up the establishment of a system for the training of social workers in institutions of higher learning, and lose no time in training various types of specialized personnel urgently needed in social work. We should strengthen the departments of public service and social management, staff such departments with specialized social workers, improve the setup of social-work posts, attract qualified social-work personnel through various channels, and raise the level of professional social service.

4. Improving the party's work style, building a clean government, and combat corruption in a thorough way. When the party's work style is correct, the cadres and

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the masses are harmonious; when the cadres and the masses are harmonious, society is stable. Combating corruption and building a clean government are an important task in strengthening the building of the party's ability to govern and in developing its advanced nature and also an urgent task to maintain social equality and justice and promote social harmony. We should adhere to the strategic principles of combating corruption and building a clean government so that the party exercises self-discipline and is strict with its members, that it is necessary to seek both temporary and permanent solutions to problems and to solve them in a comprehensive way, and that corruption is punished and prevented at the same time, with stress on the latter; we should establish a corruption punishment and prevention system attaching equal importance to education, system, and supervision. On the basis of ideological and moral education, we should step up the study of and education in the party constitution, law, and discipline and strengthen the tempering of party members and cadres in party spirit and their ideological and moral cultivation; we should educate party members and cadres to set an example of morality, promote the development of a clean government culture, and build a strong line of ideological and moral defence against corruption and degeneration. With stress on the correct exercise of power, we should promote the establishment of a system for combating corruption and building a clean government through reform, expand the field of work in which to prevent and control corruption at its sources, set up an effective mechanism for combating corruption with the support and participation of the masses, and improve the system and mechanism for guarding against corruption. With the objective of ensuring the honest performance of official duties, we should strengthen supervision over leading bodies and leading cadres and combine inner-party supervision with the supervision of various quarters in order to form a joint force of supervision and improve the efficiency of supervision. We should strictly require that all leading cadres are clean, honest, and self-disciplined, take the lead in setting an example for others, conscientiously work for the people, and be pragmatic, fair, and honest. We should step up our efforts to investigate and deal with cases and sternly punish corruption. We should persistently rectify and improve our work style at the same time, solve problems in this regard in a comprehensive way, and earnestly rectify the unhealthy trends jeopardizing the interests of the masses. We should earnestly implement the responsibility system for improving the party's work style and building a clean government, consolidate and develop the situation in which the whole party gets to work to improve the party's work style and build a clean government, promote the improvement of the government work's style and the people's customs and morals through a fine work style of the party, and build a harmonious relationship between the party and the masses and between cadres and the masses.

Forces can be united through harmony, and a great cause can also be accomplished through harmony. Building a socialist harmonious society is major strategic task in building socialism with Chinese characteristics and a major test for our party's ability to govern. All party comrades should rally closely around the party Central Committee with Comrade Hu Jintao as the general secretary and lead the people of all ethnic groups across the country in keeping forging ahead with keen determination and with one heart and one mind and in striving to build China into a strong, prosperous, democratic, culturally advanced, harmonious, and modernized socialist country.

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