Quarterly chronicle and documentation

(July–September 2007)

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 online, 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*

1. Internal Developments

a *The 29th Session of the Tenth National People's Congress Standing Committee (NPCSC)*
b *Party, Political and Ideological Affairs*
c *Social and Legal Affairs*
d *Economic Affairs*
e *Military Affairs*
f *Hong Kong Special Administrative Region (HKSAR) and Macau SAR*

2. Foreign Relations

a *Countries, Territories and Regions*
b *International Meetings*

1. Internal Developments

a *The 29th Session of the Tenth NPCSC*

The 29th session of the NPC Standing Committee opened in Beijing on 24 August. Delegates gave further consideration to a draft law on employment

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promotion. The new Employment Promotion Law (full text available in XHNA, 30 Aug.) sought to combat discrimination against job seekers on grounds of sex, age, religion, race or physical disability. It called on all levels of government to create a "climate for fair employment" free of any kind of discrimination. The legislation was also designed to combat unemployment by providing increased financial support for more jobs in small and medium-scale enterprises (SMEs), especially in ethnic minority regions. The intent was to expand funding sources by encouraging financial institutions to extend credit lines and otherwise improve their services to SMEs. The legislation also provided limited start-up loans for new businesses.

NPCSC members were told that following discussions that had taken place over 13 years, China's first anti-monopoly law was now ready for adoption and would be put to the vote. Contained within the legislation was a requirement that intended foreign purchases by Chinese companies should undergo security checks ("domestic companies or foreign capital investing in domestic companies' operations … should go through national security checks according to relevant laws and regulations …"). It was revealed that from a pre-2004 base of a mere 5 per cent, the share of foreign mergers and acquisitions in foreign direct investment (FDI) inflows to China had risen to 11 per cent (2004) and 20 per cent (2005). In addition, there was evidence that foreign companies were beginning to acquire major Chinese state-owned enterprises (SOEs) or companies with famous brand names, giving rise to concerns about a possible threat to national economic security. The proposed legislation also provided for the State Council's establishment of an anti-monopoly commission.

Also brought before NPCSC members was a draft amendment to the law on urban real estate administration, which sought to provide clear guidelines on the "orderly expropriation" of urban houses and apartments. The importance of the amendment was highlighted in highly publicized protests and "conflicts," generated by the forceful eviction of urban residents to make room for new urban development projects. Given that China's new Property Law – due to take effect in October 2007 – offered explicit protection of "people's private property rights and the public interest," it was essential that "new regulations covering the rampant evictions in urban areas" were also put in place as quickly as possible. The draft amendment was thus seen as "the first step taken by the government to revise related laws and regulations to pave the way for the implementation of the Property Law" (XHNA, 24 Aug.).

A draft law on "recycling economy of China" was introduced by Feng Zhijun (Vice-Chairman of the NPC Environmental Protection and Resources Conservation Committee). Against the background of China having experienced many years of low resource efficiency, it was designed to lend further support to it's strategy of sustainable development by improving energy consumption and reducing pollutant discharge. Under the proposed legislation, governments at all levels would be required to make plans on the development of circular economy, establish systems to control energy use and pollutant emission, strengthen

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management on companies with high energy and water consumption, make policies to divert Capitals into environmentally friendly industries.

The draft also sought to provide reward-based incentives to inculcate an ethos among companies to promote recycling. At the same time, those who violated the law would receive "administrative punishments or even be subject to criminal prosecutions." Violators of the import ban on energy-intensive equipment, materials or goods would be fined between 100,000 and one million yuan; companies using fuel generators or boilers that failed to meet requisite national standards would be fined between 10,000 and 500,000 yuan.

The potential benefits of the new legislation were underlined in remarks by Feng Zhijun, who pointed out that recycling of heat and flammable gas used by a steel factory producing 8–10 million tons of output p.a. would save sufficiency energy to fuel a 800,000-kilowatt power station. He added that if China could achieve international levels of energy efficiency, sulphur dioxide emissions could be reduced by 4.5 million tons annually (XHNA, 26 Aug.).

NPCSC members adopted an "emergency response law" – to take effect on 1 November 2007 – intended to improve China's capability to deal with industrial accidents, natural disasters, health and public security hazards (XHNA, 30 Aug.).

Delegates to the 29th NPCSC also examined draft legislation on labour dispute arbitration, as well as draft amendments to the Law on the Administration of Urban Real Estate, the Law on Science and Technology Progress and the Law on the Prevention and Control of Water Pollution. Finally, delegates considered the international agreement on implementing the International Thermonuclear Experimental Reactor (ITER) – the world's first experimental fusion reactor – signed in November 2006 by China, the European Union (EU), India, Japan, South Korea, Russia and the USA.

The Standing Committee made three new ministerial appointments, as follows (XHNA, 29 Aug.; see also Hong Kong *Ming Pao* [*MingPao*], 29 Aug. on anticipated personnel changes in the State Council):

- Xie Xuren, 59 (Director of the State Administration of Taxation) to replace Jin Renqing, 63, as Minister of Finance (see also Hong Kong, *Ming Pao* [*Mingbao*] on the reasons for Jen's dismissal and Hong Kong, *Ta-kung Pao* [*Dagong bao*], 31 Aug., for a report that Jin had refused to accept the post of Deputy Director of the State Council's Development Research Centre);
- Geng Huichang to replace Xu Yongyue as Minister of State Security;
- Ma Wen, 59 (Deputy Secretary of the CCP Central Commission for Discipline Inspection [CCDI]) to be Minister of Supervision, following the death of the previous incumbent, Li Zhilun;
- Yin Weimin to replace Zhang Bolin as Minister of Personnel;
- Zhang Qingwei to replace Zhang Yunchuan as Minister in charge of the State Commission of Science, Technology and Industry for National Defence (COSTIND).

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The Standing Committee approved the decision of the Shanghai Municipal People's Congress to remove the former Secretary of the Shanghai Municipal Party Committee (Chen Liangyu) and to deprive him of CCP membership. Chen's case was currently under investigation by the CCP Central Commission for Discipline Inspection. NPCSC members also expelled three other senior provincial officials from the Party (XHNA, 30 Aug.).

The 29th meeting of NPCSC closed on 30 August (see XHNA, 30 Aug. for the closing speech of Wu Bangguo (Standing Committee Chairman).

b *Party, Political and Ideological Affairs*

Xinhua quoted the CCP Central Committee to the effect that out of 19 million applications (6.8 per cent more than in 2005), 2.64 million people were admitted as new members of the Chinese Communist Party in 2006 – a rise of 160,000. As a result, total membership of the CCP rose to 72.391 million (1.581 million above the level of the previous year). The report noted that 22.2 million CCP members – 30.7 per cent of the total – were in receipt of higher education, compared with 20.5 per cent in 2005. There had also been a rise in the proportion of female party members (to 14.292 million – 19.7 per cent of the total) and of those under the age of 35 (totalling 16.919 million). In 2006 just over a third of new members were women.

The report also noted that at the end of 2006 there were 3.564 million grassroots party organizations, including 173,000 grassroots party committees. Of the 2.707 million enterprises in China, 432,000 fulfilled the qualification for establishing a party organization (viz., the presence of at least three party members), of which 420,000 – 97.2 per cent of the total – had in fact established such an organization. It was also revealed that 178,000 of the 2.419 million *non-publicly owned* enterprises had established party organizations (XHNA, 9 July).

An article in *Qiushi* (*Seeking Truth*, 1 July) once more stressed the importance of combating corruption within the CCP and improving the work style of leading cadres. It gave examples from China's own history to highlight the correlation between work style, social stability and economic prosperity, and cited Deng Xiaoping, Jiang Zemin and Hu Jintao in support of the notion that the work style of the Party was a key determinant of the health of society.

The article was at pains to highlight the generally favourable state of current conditions. More significant, however, was the acknowledgement of the emergence of "unhealthy tendencies of various kinds" under the impact of reform and modernization:

> [Some cadres] have made no attempt to improve their work, and left well enough alone; paid no attention to the masses, and lost contact with reality; engaged themselves in practices of formalism and bureaucracy; resorted to deception, and submitted false and exaggerated reports; pursued extravagance and waste, and indulged in a life of pleasure and comfort; and have abused power for personal gains and led a life of luxury and debauchery. In localities and units where unhealthy tendencies prevail, fewer people are willing to read books or newspapers, learn theories, or study policies; while more people are busying themselves with vulgar and meaningless interpersonal entertainment

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activities, among whom some have even abandoned their faith in Marxism-Leninism and professed faith in ghosts and gods. Cadres who are working in a down-to-earth manner and have immersed themselves in their work have received no attention; while those who are good at serving personal interests through trickery, sending gifts in order to curry favour, and running about craving for official posts have got promotion continuously.

The consequences of improper and corrupt behaviour of these kinds had resulted in many problems being left unresolved. Demands and complaints made by the public were ignored. Despite their scarcity, funds and material resources were used wastefully on extravagant showcase or mere "image" projects. Alongside poverty and unemployment, cadres and Party members indulged in luxurious lifestyles, even to the extent that "degenerated cadres … [had] lorded it over and acted against law and reason, bullied the ordinary people, embezzled on public funds and accepted bribes, became corrupt, and engaged themselves in criminal activities."

In the face of such problems, it was incumbent on cadres and Party members to adhere to the principles and precepts intended to encourage a healthy work style, as set out by Hu Jintao in his speech to the Seventh plenary session of the Central Commission for Discipline Inspection (CCDI). In particular, argued the *Qiushi* article, it was essential to develop a proper relationship between (on the one hand) "carrying forward and developing the party's fine traditions and work style" and (on the other) "ensuring that the work style building can advance with the times."

c *Social and Legal Affairs*

A spokesman for the National Population and Family Planning Commission (NPFPC) confirmed that except in Henan (China's most heavily populated province) couples in all provinces, autonomous regions and municipalities who were both only-children could legally have two children. He made clear that the inadequacy of public resources to provide for care of the elderly in the countryside meant that many farmers depended on their children for such care – "that is why we allow farmers to raise more children" (XHNA, 10 July).

In the face of China's stable population growth at a low level, the same spokesman warned against complacency and pointed out that demographic indicators among some groups were still uncertain. In particular, he acknowledged that "misreporting in some regions" – above all, within the migrant population (said to total 200 million) – had generated excessive optimism among the public. He noted that recent pro-farming policies had encouraged migrant workers to return to their villages of origin, as a result of which "their real birth situation would only be known when local governments ascertained if … [the returnees] had sired children in cities." He also spoke of an expected "baby boom," as more only children married and produced two children (XHNA, 11 July).

A NPFPC circular, issued in August, directed local officials to remove "stiff or even coarsely-worded" slogans relating to the one-child policy in favour of

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more sensitive notices. In the former category were slogans, urging "Raise fewer babies but more piggies" or warning that "Houses toppled, cows confiscated, if abortion demand rejected" and "One more baby means one more tomb." Such wording caused misunderstanding by suggesting that people were being *forced* to restrict the size of their families and thereby "tarnishing the image of the government." It also led to public complaints, anger and resentment. The circular suggested that replacement slogans be propagated with messages such as "The mother earth is too tired to sustain more children" and "Both boys and girls are parents' hearts" (XHNA, 4 Aug.; for a report on expected new regulations to ban sex-selection abortions, see XHNA, 25 Aug.).

Another major embarrassment to the Chinese government was the revelation, in June, that labourers had been forced to work as virtual "slaves" in a brick kiln in Shanxi province. Following subsequent investigations of more than a quarter of a million kilns, mines and workshops employing 12.67 million workers, it was reported in mid-August that 1,340 people – 367 of them mentally handicapped – had been rescued from similar forced labour conditions (XHNA, 13 Aug.). The same investigations also found that 67,000 – about a quarter – of the work units that were inspected were illegal and operating without licences. Over 90,000 units had employed workers without contracts and many of them failed to provide any social welfare insurance on behalf of their employees. Units which had hired workers without contracts were ordered to sign legally-binding contracts with some 1.5 million labourers, in addition to having to pay 130 million yuan (c. US$17 million) in overdue wages and other forms compensation (XHNA, 13 Aug.).

In the wake of the enactment of the Labour Contract Law, a Xinhua comment conceded that serious violations of workers' legitimate rights and interests persisted in China. Problems manifested themselves in the form of the failure of hiring units to sign proper labour contracts with workers, neglect of the terms of probationary periods and preference for signing only *short-term* contracts. In the face of such abuses, the article was at pains to uphold as a basic principle the need to safeguard labourers' legal rights as an "essential requirement for China's socialist modernization drive and … an embodiment of the vitality and superiority of our socialist system." Thus,

> Labour is the most basic social activity of our human society. Labour relationship is the most fundamental social relationship. To be people-centred, one important requirement is to be labourers-centred, and to achieve social harmony, one important requirement is to have harmonious labour relationship.

At the heart of protection of workers' rights and interests were labour contracts which formally defined the nature of a given labour relationship, including specification of workers' compensation, working hours, leave, holidays and social insurance. In recognition of this, the Labour Contract Law required hiring units to sign and fully implement contracts with all their workers. Accordingly, efforts would be forthcoming in order to ensure adherence to the provisions of the new legislation. Thus again,

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In 2008, all our enterprises must have signed labour contracts with labourers according to the law, the terms in the labour contracts must be standardized, and the labour contracts must have relatively decent targets to be attained. To firmly safeguard the legitimate rights and interests of the vast majority of workers, labour support departments at all level must organize people to inspect the situation of concluding labour contracts, to accept laborers' petitions and their reports of irregularities, to carry out routine checks and inspections, and to take active measures to prevent and censure all lawless behaviour (XHNA, 4 Aug.).

In anticipation of the worst flooding of the Huaihe River since 1954, almost 500,000 people – most of them from Anhui province, the rest from Jiangsu and Henan – were evacuated from the expected affected regions. Since June, above-average rainfall had caused widespread floods in many parts of China, but especially in the southern half of the country. More than 66 million people had already been affected, including 360 deaths. Economic losses as of the first half of July were estimated at 24.3 billion yuan (XHNA, 11 July). Following the flooding of islands in Dongting Lake (Hunan), an estimated 2 billion fleeing rats were reported to have invaded farmland in 22 counties of the province, giving rise to a disease alert. Meanwhile, torrential rainstorms in various parts of China during July caused widespread loss of life, killing 40 in Shandong (25 in Jinan City), 37 in Chongqing, 21 in Shaanxi, seven in Sichuan and five in Xinjiang (various reports).

The seriousness of natural disasters during 2007 was highlighted in a report of the Ministry of Civil Affairs, which revealed that in the first half of the year over 143 million people had been affected by such disasters, 2.45 million of whom had had to be evacuated. Almost 22 million hectares of arable land were affected by the disasters, the economic cost of which was expected to reach up to 50.4 billion yuan (XHNA, 14 July). By the second half of August, the number of people affected by natural disasters during 2007 had been raised to 310 million people, and economic losses to 126.4 billion yuan. However, the Minister of Civil Affairs (Li Xueju) noted that such numbers represented declines of 9.4 and 34.8 per cent, year on year. He also revealed that the State Council had increased disaster relief fund from 6.7 billion to 11.54 billion yuan (XHNA, 22 Aug.; for the full text of the "11th Five-Year Disaster Reduction Plan," see XHNA, 14 Aug.)

By the beginning of August, 7.53 million people in various parts of China were reported to be short of drinking water. Drought had affected almost 11 million hectares of arable land – 7 per cent more than at the same point of 2006 – and more than 5 million animals were also said to be without adequate drinking water. Worst hit were Heilongjiang, Jiangxi and Hunan provinces, where more than a third of arable land was affected by drought conditions (XHNA, 1 Aug.; on the impact of drought in Guangxi, see XHNA, 5 Aug.; on conditions in Guangdong and Sichuan, see XHNA, 8 Aug.; in Hubei, 9 Aug.).

It was announced in July that during 2007–09 China would establish a comprehensive medical insurance programme designed to embrace all urban residents (including children and unemployed workers). Currently, only

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employed residents were eligible to join the existing national health insurance scheme. The new programme would extend coverage to an additional 200 million urban citizens. A pilot programme to launch the new scheme would be conducted in 79 cities, beginning in September (XHNA, 24 July).

d *Economic Affairs*

Figures released by the National Bureau of Statistics (NBS) showed that in the first half of 2007 China's GDP had increased by 11.5 per cent – 0.5 per cent above the corresponding figure during the same period of 2006. Sectoral growth rates were 4 per cent (primary), 13.6 per cent (secondary – manufacturing and construction), and 10.6 per cent (tertiary). While fixed investment growth declined by 3.9 per cent to 25.9 per cent, retails sales rose by 15.4 per cent – 2.1 per cent more than in the same period of the previous year. Such figures highlighted the more significant role played by consumption in fuelling China's economic growth.

A Shanghai source reported that the estimate of national GDP for the first half of 2007 obtained by summing provincial estimates of their individual GDPs was 11.6 per cent higher than the figure released by the central government (11.92 trillion yuan, compared with 10.68 trillion). It was thought that the discrepancy for the whole of 2007 might reach 2.5 trillion yuan, or the equivalent of the combined total GDP of the four municipalities of Beijing, Shanghai, Tianjin and Chongqing. The report added that during the previous six years, the average GDP growth rate reported by local governments had exceeded the corresponding national figure by about two percentage points. Part of the reason for the wide variation was said to be "the effect of growing inter-provincial economic co-operation," which inflated reality through multiple counting of mutual investment and trade. But an even more salient contributory factor was thought to be the use of an economic growth criterion as an important determinant of promotion of provincial-level governments and officials (as Cai Zhou, a statistician at Beijing University put it, "it often happens that local governments interfere with the accounting to make the figures look better"). This was the background against which consideration was being given to rescinding the rights of local governments to calculate GDP in favour of greater reliance on the findings of National Bureau of Statistics survey teams that would be reported directly to the central government (XHNA, 2 Aug.).

Authoritative Chinese sources forecast that GDP growth would slow slightly in the second half of 2007, as a result of which the rate of expansion of GDP for the whole year would reach 11.3 per cent. Other forecasts were that China's trade surplus would rise 55 per cent to reach US$ 275 billion (this despite a rising RMB and reductions or abolition of export rebates), while industrial output would increase by 17.6 per cent (cf. 16.6 per cent in 2006). It was expected that a further increase – by an expected single percentage point – in fixed-asset investment would exacerbate problems of excess supply (XHNA, 4 Aug.; see

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also projections in the World Bank's "Quarterly Report" on China, published in September).

There was growing concern during the quarter about upward pressure on consumer, especially food prices. Food price inflation was a major ingredient in the 3.2 per cent rise in the consumer price index (CPI) in the first half of the year. Underlying this figure was an accelerating trend, the CPI having increased (year on year) by 4.4 per cent in June alone. In July the corresponding rise was 5.6 per cent (XHNA, 13 Aug.) – rising further to 6.5 per cent in August (XHNA, 11 Sept.). In the face of the continuing rise in food prices, there was a feeling among Chinese analysts that the CPI would rise even faster, significantly exceeding the 3 per cent "alarm level" set by the government (XHNA, 1 Aug.). Increasing pork prices – between July 2006 and July 2007 the price of frozen pork almost doubled – was a particular source of concern (see also XHNA, 14 Aug.), although it was subsequently reported that, in the second week of August, the average price of meat had fallen by 1.2 per cent, and that of pork by 1.5 per cent – the first such declines to take place in two months (XHNA, 15 Aug.; also relevant is *RMRB*, 7 Aug.; on the doubling of China's pork imports between January and the end of July, see XHNA, 13 Sept.).

This was the background against which Wen Jiabao gave an assurance that the government would guarantee supplies and maintain stable prices. He said that recent inflationary pressures had been driven by increases in the prices of staple and non-staple foods. He also acknowledged that some dealers were acting in concert in an attempt to "rig the market," and he warned hoarders and speculators to desist from such activities ("the supply line for daily necessities should not be disrupted"). Meanwhile, it was essential that agricultural subsidies for seeds, farm machinery and other supplies be given directly to farmers. Welfare subsidies to low-income households and students from poverty-stricken families should also be made available on time. Urgent efforts were also needed to restore farming in flood-affected regions in order to guarantee a good autumn harvest (XHNA, 4 Aug.; on evidence of hoarding by oil retailers, see *ibid.*).

In its second quarter monetary report, the People's Bank of China (PBC, the country's central bank) stated that preventing the economy from over-heating remained the most important macro control task. It noted that China had experienced high, but stable, growth in the first half of the year and suggested that rapid expansion would continue until the end of the year. It admitted that there was a danger that the economy might shift from a rapid growth mode to one of over-heating, especially in the face of expected large rises in the trade surplus, bank loans and fixed investment. Against this background, PBC undertook to implement a "prudent" monetary policy during the rest of 2007 in order to accommodate inflationary pressures and maintain price stability. It committed itself to the use of open market operations and adjustments of the reserve requirement ratio in order to address any problems associated with excessive liquidity. It also expected that demand and supply forces would play a more significant role in determining the exchange rate and increasing its

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flexibility, subject to maintaining overall exchange rate stability (XHNA, 8 Aug.).

The problem of increasing inequality was highlighted in the latest findings of the Asian Development Bank (ADB), which showed that between 1993 and 2004, China's national Gini coefficient had risen from 4.07 to 4.73 (XHNA, 8 Aug.).

According to a spokesman of the Ministry of Labour and Social Security (MOLSS), the first half of 2007 also witnessed record employment creation, with jobs found for 6.29 million new entrants into the labour force and 2.79 million laid-off workers. As a result, by the end of June China had already fulfilled 70 per cent of the target set for the employment of new labour entrants for the whole of 2007. At the end of June, the registered urban unemployment rate was 4.1 per cent, with 8.38 million registered workers out of work. It was also revealed that by the end of 2007, 90 per cent of the work force would be protected by formal labour contracts (XHNA, 20 July).

Despite these impressive figures, there was a feeling that the underlying situation was less favourable. Thus, Tian Chengping (Minister of Labour and Social Security) urged that 12 million new jobs be created by the end of 2007 – 25 per cent more than originally planned. He described the upward adjustment of the end-year target as an attempt to deal with China's "grim employment situation." Not only was the overall supply of labour in excess of demand, said Tian, but "the task of reemploying laid-off and unemployed personnel is still arduous; and the issue of employment for the rural workforce, college graduates, and peasants who lost their land is still conspicuous."

Against this background, Tian called for an intensification of employment creation work:

> We must … appropriate funds for employment and reemployment work, increase input, promote efficiency in using funds, improve employment services and step up vocational training for the new workforce, and strive to meet the objective of creating new jobs. … We must … strengthen unemployment regulation and control and [separate] the primary and secondary lines of business of state-owned large and medium-sized enterprises, making proper arrangements for surplus workers and employees of closed or bankrupt enterprises, and establishing an early warning mechanism for unemployment.

Highest priority in employment work should be to help those from "zero employment families" and others facing difficulties in finding jobs. The aim should be to resolve job problems for 80 per cent of such households by the end of 2007. Another prime focus should be the provision of appropriate employment for college graduates (XHNA, 24 July).

Following the uncovering of shipments of substandard food products (including preserved seafood and fruit destined for Japan, Canada, the United States and the European Union), 14 Chinese companies were banned from exporting such goods. Investigations showed that in some cases, quality checks had been evaded through labelling goods as exports that were not subject to quality inspection. An official of the General Administration of Quality

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Supervision, Inspection and Quarantine (GAQSIQ) insisted that such violations of regulations were isolated examples and that 99 per cent of exported food fulfilled required standards. However, a survey revealed that in the first half of 2007 around 20 per cent of goods produced for *domestic* consumption had failed to meet quality and safety standards. Because of the greater incidence of problems in small enterprises, China was committed to reducing the number of small-scale factories by half by 2010 in order to combat "illegal activities involving shoddy food products" (XHNA, 10 July).

A spokeswoman for the State Food and Drug Administration (SFDA) admitted that food and drug safety conditions in China were "unsatisfactory" – "the food and drug safety situation is not something we can be optimistic about" – and that stronger supervision over such matters was required. She noted that a five-year plan had been formulated in order to address problems associated with substandard food and drug products. Meanwhile, it was announced that Zheng Xiaoyu (former Director of SFDA) had been executed for having taken bribes and failed in his official duties (XHNA, 10 July; see also *ibid.* for comment on measures to ensure food safety during the 2006 Olympics; and see XHNA, 11 July for new drug registration rules).

Subsequently, a "White Paper" released by the State Council's Information Office showed that 85.1 per cent of China's food products had successfully passed quality checks in the first half of 2007. This compared with a corresponding figure of 77.9 per cent in 2006. The document also revealed that 99.1 per cent of food products exported to the USA, and 99.8 per cent of those shipped to EU member states, had passed relevant quality checks (XHNA, 17 Aug.).

A report issued by the China Electricity Council found that energy-intensive sectors – e.g., iron and steel, nonferrous metals, chemicals and construction materials – remained the principal drivers of power consumption growth in the first half of 2007. Taken together, power consumption in these six sectors rose by 20.1 per cent in January–June (3.6 per cent more than in the same period of the previous year). The significance of this figure was highlighted in the fact that these same six sectors accounted for almost 70 per cent of the energy consumption and sulphur dioxide discharges of the entire industrial sector. The secondary sector – manufacturing and construction – accounted for almost 84 per cent of such growth. In particular, a rise of 18.84 per cent in power consumption by heavy industry – 4.64 per cent above the corresponding figure for the same period of 2006 – had made it less likely that China would fulfil its annual energy conservation target. Indeed, the growing likelihood that China would fail to meet the targeted 4 per cent annual reduction in energy consumption per unit of GDP was highlighted in the finding that the actual reduction achieved in 2005 was a mere 1.23 per cent (XHNA, 12 Aug.).

It was reported that the Chinese government would accelerate the closure of small coal mines (i.e., those producing less than 30,000 tons p.a.) and close a further 1,000 such mines by the beginning of 2008 – six months ahead of

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schedule. Li Yizhong (Director of the State Administration of Work Safety [SAWS]) noted that small-scale mines contributed one third of total coal production, but were responsible for two thirds of all deaths resulting from coal mining accidents. He noted that 9,075 small mines had already been closed down since August 2005, leaving some 17,000 still in operation (XHNA, 11 July; and see XHNA, 14 Aug.).

Information published by the World Intellectual Property Organization (WIPO) showed a rapid increase in Chinese patent applications in recent years, reflecting rising levels of innovation. Data for 2005 revealed that China's patent office processed over 173,000 patent applications in 2005. Of these 93,172 were submitted by Chinese citizens – 42.1 per cent more than in 2004 (the corresponding global increase was 7 per cent) (XHNA, 10 Aug.).

Against the background of China having been the fastest growing export destination of the United States for five consecutive years, Vice-Minister of Commerce, Gao Hucheng, said in August that China was expected to replace Japan as the third largest export market of the US by the end of 2007 or early in 2008. He noted that between 2001 and 2005 China's ranking as an export market for the US had already risen from ninth to fourth. In 2006 Canada was the largest US largest export market, followed by Mexico and Japan.

e *Military Affairs*

On 31 July – the occasion of the 80th anniversary of the founding of the People's Liberation Army (PLA) – the Chinese Minister of Defence and Vice-Chairman of the Central Military Commission, Cao Gangchuan, reviewed the PLA's historical achievements and praised its efforts to support China's economic growth and modernization. He stressed the importance of inculcating appropriate ideological values among PLA members through the study of "Mao Zedong's military thought, Deng Xiaoping's thought of army building in the new period [and] Jiang Zemin's thought of national-defence and army building." He also spoke of the contribution of Hu Jintao in elucidating the principles that should guide China's national defence and army building policies. Cao was at pains to reaffirm China's refusal to countenance "'Taiwan independence'," but also expressed the hope that a way could be found of achieving peaceful cross-Strait reunification. He added that the PLA would seek to co-operate and strengthen exchanges with armies of other countries throughout the world (XHNA, 31 July).

At a meeting to celebrate the PLA's 80th anniversary, in a reference to army modernization Hu Jintao spoke of the overall goal of building "slim but strong" armed forces in order to achieve a sound balance between speed, quality and efficiency. Army building should, he said, be informed by the need simultaneously to accommodate the needs of China's "overall modernization strategy" and meet its security requirements. He noted that the PLA had already transformed itself from a "small, single-service force" into a "strong and

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multiple-service force,'' and was well on the way to becoming an ''information technology-based army.'' Thus,

> By putting in place a comprehensive scientific, technological and industrial structure for national defence, the PLA is increasingly better positioned to defend the nation. It has cleared a path of development that suits China's realities, improved its own organizations and structures, enhanced logistic and equipment support capabilities, and cultivated many competent military professionals for the new era. All these have strengthened the PLA's capability to better perform its mission and provided a solid foundation for the basic realization of defence and military modernization (XHNA, 1 Aug. for full text of Hu's speech; and see XHNA, 3 Aug.).

On 10 September, a Chinese guided missile destroyer and an accompanying comprehensive supply ship successfully undertook a ''non-conventional security-related'' military exercise with the British Navy aircraft carrier ''Ark Royal'' in ''sea waters of the Atlantic Ocean off Portsmouth.'' It was the Chinese navy's first ever joint exercise with an aircraft carrier, as well as the first ever exercise in ''the waters of the Atlantic Ocean.'' Su Zhiqian, the commander of the Chinese naval vessels formation and Deputy Commander of the South Sea Fleet, late referred to both the political and military significance of the exercise (XHNA, 10 Sept.).

f *Hong Kong Special Administrative Region (HKSAR) and Macau SAR*

In Hong Kong on 1 July, in the presence of President Hu Jintao, Donald Tsang Yam-kuen was formally sworn in as Chief Executive of the third-term HKSAR government. In his address, Tsang reaffirmed the HKSAR government's commitment to the principle of ''people-based governance'': ''[w]e will build a government that is more open. The public will not only be the focus of our policies, the public will be our partners in devising them.'' He said that in its effort to enhance democratization in Hong Kong, the third-tem government would seek public help and support in finding ''the most acceptable mode of universal suffrage'' for the region. The main economic thrusts of the new administration would meanwhile be to expand the financial sector and increase infrastructural investment in order to increase employment and raise wages. The environmental focus of future policies also emerged clearly in Tsang's commitment to improve the quality of life of Hong Kong citizens (''our people deserve to enjoy clean food, clean air, a beautiful environment and the protection of our heritage'') (XHNA, 1 July).

In a speech at the inaugural ceremony, Hu Jintao spoke of Hong Kong's success under its two Chief Executives (Tung Chee Hwa and Donald Tsang) during the decade since the retrocession of its sovereignty to China. He claimed that through the exercise of ''executive, legislative and independent judicial power'' within the framework of the Basic Law, the region had maintained its ''capitalist system and way of life,'' as well as enjoying ''extensive democratic rights and freedom … and a high degree of autonomy.'' The previous ten years had seen the forging of increasingly close relations between Hong Kong and the

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Chinese Mainland, especially between their business communities, highlighting the region's role as an "important window and bridge for China's economic, scientific, technological and cultural exchanges with the rest of the world" (XHNA, 1 July; see also Hong Kong, *Wen Wei Po* [*Wenhui bao*], 30 June and *RMRB*, Editorial, 1 July). During his stay in Hong Kong, Hu also met Edmund Ho Hau Wah, Chief Executive of the Macau Special Administrative Region.

On 16 July the HKSAR Census and Statistics Department unveiled population projections for Hong Kong for the period 2007–2036. They highlighted three major demographic trends: a slowing of the rate of increase of total population; the ageing of that population; and a declining male-female gender ratio. In the face of slowing population, growth, the HKSAR government had already taken measures to encourage more births, including increasing the child tax allowance. As for population ageing, it would look for ways of improving old-age protection (e.g., through assisting those in work to save for their retirement, providing financial help for those facing hardship and initiating a consultation programme on health care reform) (HKSAR Government website, 16 July).

According to Xinhua, during April–June the rate of unemployment in Hong Kong fell to 4.2 per cent – the lowest level since mid-1998 – with the "underemployment rate" stabilizing at 2.2 per cent. The rising employment trend was attributed to more buoyant conditions in construction, amusement and recreational services, and retail trade. Between March–May and April–June, total employment in Hong Kong increased from 3,475,100 to a record 3,486,000 – this alongside a rise in the labour force from 3,630,600 to 3,642,600 (XHNA, 19 July).

In September, however, it was reported that unemployment had risen for the first time in almost two years. Preliminary figures provided by the government suggested that during June–August, unemployment had increased by 0.1 per cent to 4.2 per cent. The rise was attributed mainly to an increase in the number of new graduates and school leavers entering the work force (*SCMP*, 19 Sept.).

The HKSAR Registration and Electoral Office announced that nominations for candidates for the 2007 District Council election must be submitted between 2 and 15 October. The polling date for the 405 elected members was set for 18 November.

2. Foreign Relations

a *Countries, Territories and Regions*

Africa (Mauritius, Sudan, Chad)

The Prime Minister of Mauritius (Navinchandra Ramgoolam) arrived in Beijing on 9 July at the start of a six-day visit to China. In his meeting with the visitor, Hu Jintao spoke of the two countries' co-operation on regional and international issues, and of the high regard of the Chinese government for its relationship with Mauritius. He hoped that these relations would become even

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stronger in the future. During his visit, Ramgoolam also travelled to Shanghai, Anhui and Zhejiang.

The same month, the Sudanese Foreign Minister, Lam Akol Ajawin, discussed bilateral relations, and international and regional issues of common concern (including Darfur) with Yang Jiechi. During the same visit, the Sudanese First Vice-President (Salva Kiir Mayarditairs) met Hu Jintao, who urged the international community to take advantage of favourable conditions to seek a resolution of security and humanitarian problems in the Darfur region (XHNA, 19 July).

In September, the President of Chad (Idriss Deby Itno) undertook a state visit to China. During his stay in Beijing, he met Hu Jintao, Wen Jiabao and Cao Gangchuan. In talks which focused on bilateral relations Hu made a number of proposals designed to enhance bilateral co-operation. The two sides signed a number of co-operation documents (for text of Joint Communiqué, see XHNA, 22 Sept.; on Itno's talks with Premier Wen Jiabao, see XHNA, 21 Sept.).

Australasia and the Pacific (Vanuatu, Fiji, Australia, Cook Islands)

On 9 July, Hu Jintao held talks with the visiting President of Vanuatu, Kalkot Mataskelekele. He stressed the Chinese government's commitment to strengthen economic relations and co-operation with Vanuatu and other nations in the Pacific Ocean. In particular, he hoped that more Chinese entrepreneurs would invest in Vanuatu's agricultural, telecommunications and infrastructural development (XHNA, 9 and 10 July).

On 30 August the visiting Fijian Foreign Minister (Epeli Nailatikau) met Yang Jiechi in Beijing. Their discussions focused on ways of strengthening their "co-operative partnership." Nailatikau also held talks with Vice Premier Hui Liangyu (XHNA, 30 Aug.).

On 3 September, Hu Jintao arrived in Perth at the start of a state visit to Australia, where he also attended the APEC Economic Leaders' Meeting (see below under c). In a written statement on his arrival, Wen referred to the satisfactory momentum of development of Sino-Australian relations in the 35 years during which the two countries had enjoyed diplomatic relations. He hoped that his visit would "enhance mutual trust, expand common ground, deepen co-operation, and usher in the future." To these ends he looked forward to his discussions with Australian leaders on bilateral, regional and international issues in order to "raise to a new level the mutually beneficial and win-win comprehensive co-operative relations" between the two countries (XHNA, 3 Sept.).

An Australian source reported that in only the second agreement of its kind, Australian and Chinese companies had reached agreement on the long-term supply of liquefied natural gas (LNG) from the Gorgon project in the north of Western Australia. A representative of Shell Gas said that the agreement had established a "new benchmark for LNG supplies" (Radio Australia, 4 Sept.).

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Following his arrival in Sydney, Hu held talks with Prime Minister John Howard, during which the two leaders agreed to strengthen their dialogue and to promote the "all-round development of bilateral ties." The Chinese President hoped, in particular, that the two countries would become "not only each other's major trading partners, but also constructive co-operative partners in regional and international affairs." Following their meeting, Hu and Howard witnessed the signing of a number of co-operation documents (XHNA, 6 Sept.).

Following their talks, officials of the two countries signed a series of documents on bilateral co-operation.

The Prime Minister of the Cook Islands (Jim Marurai) visited China in September. His talks with Wen Jiabao (25 September) focused mainly on the further development of bilateral relations. The Chinese Premier also spoke of his government's wish to foster good relations with the island states of the Pacific in order to help promote regional stability and development.

Central and Eastern Europe (Macedonia, Hungary, Serbia)

In July the Macedonian Foreign Minister, Antonio Milososki, made a four-day working visit to China, where he discussed the further development of bilateral relations with Yang Jiechi.

On 2 September, the Hungarian Prime Minister, Ferenc Gyurcsany, arrived in Beijing at the start of an official visit at the invitation of Wen Jiabao. The two following day, Gyurcsany and Wen met and held talks, focusing mainly on bilateral relations. They agreed to extend their co-operation in a variety of fields, including investment promotion and the development of high-tech activities, trade and infrastructure. The two men also committed themselves to strengthening high level exchanges, consultations and dialogues in order further to enhance mutual trust.

Also in September, Beijing, Vuk Jeremic (the Serbian Foreign Minister) held talks in Beijing with Chinese government officials. Vice-President Zeng Qinghong described the China–Serbia relationship as a model for relations between big and small countries (XHNA, 13 Sept.; see also XHNA, 22 Sept.).

Commonwealth of Independent States (Russia, Turkmenistan, Kyrgyzstan, Kazakhstan; Shanghai Co-operation Organization [SCO])

On 13 July, Yang Jiechi held talks in Moscow with the Russian President, Vladimir Putin. Yang spoke of "important progress" having been made in recent years towards strengthening the two countries' strategic co-operative partnership. He noted that two-way trade had continued to expand rapidly, while the two sides' co-operation had had a stabilizing effect in regional and international affairs. He reaffirmed the Chinese government's prioritization of Sino-Russian relations and hoped that efforts by both countries would facilitate the "comprehensive, in-depth development of Sino-Russian strategic co-operation." Putin echoed Yang's remarks and spoke with satisfaction of the progress that had been made over a wide range of co-operative ventures. He

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said that he was looking forward to once more meeting Hu Jintao during the forthcoming summit meeting of the Shanghai Co-operation Organization (SCO) in Bishkek (Hong Kong, *ZTS*, 14 July).

Yang Jiechi also held discussions with his Russian counterpart, Sergey Lavrov. The two men were said to have reached a consensus on deepening bilateral strategic co-operation.

On 17 July the President of Turkmenistan (Gurbanguly Berdymukhamedov) arrived in Beijing. Later the same day, he held talks with Hu Jintao. The Chinese President spoke of the solid progress that the two sides had made in cementing relations since the establishment of formal diplomatic relations 15 years earlier. He put forward five proposals intended to facilitate the further development of relations between the two countries. They were: to strengthen political mutual trust through a variety of exchange mechanisms; to deepen trade and economic co-operation (especially in key sectors, such as oil, natural gas, textiles, transport and telecommunications); to expand cultural exchanges and increase tourism; to implement security co-operation in the interests of enhancing regional stability; and to strengthen consultation and co-ordination in order to protect the two sides' common interests. Berdymukhamedov endorsed Hu's proposals.

Following their discussions, Hu and Berdimuhammedov signed a "Joint Statement on Further Consolidating and Developing Relations of Friendship and Co-operation" and attended a signing ceremony for agreements on bilateral economic, energy, technological, educational and other forms of co-operation (XHNA, 17 July). One of these provided for the import by China National Petroleum Corporation (CNPC) – China's biggest oil producer – of 30 billion cubic metres of natural gas p.a. for a period of 30 years through the planned Central Asia Gas Pipeline.

On 14 August Hu Jintao arrived in Bishkek at the start of his first state visit to Kyrgyzstan. In a written statement made available on his arrival, Hu spoke of the long history of friendship between China and Kyrgyzstan, as well as more recent progress in the development of bilateral political, economic and security co-operation since their establishment of formal diplomatic relations in 1992. He looked forward too to his talks with President Kurmanbek Bakiyev, which would focus on bilateral, regional and international issues.

In the course of talks between Hu and Bakiyev the two sides agreed on the desirability of strengthening their "pragmatic co-operation" both on a bilateral basis and within the context of the Shanghai Co-operation Organization (SCO). Hu spoke of the increase in mutual political trust between the two countries, as well as of progress in extending economic, trade, infrastructural and security co-operation. He pointed out that closer ties served the interests not only of China and Kyrgyzstan, but also of the entire region of which they were part. He expressed appreciation of Kyrgyz support for China over the Taiwan issue. Looking ahead, the Chinese President called for improvements in both countries' investment environments in order to facilitate closer economic and technical co-operation. No less important was the need for the two sides to

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strengthen joint efforts to combat terrorism. Bakiyev's remarks echoed those of Hu Jintao, especially in the expressed wish to strengthen co-operation in agriculture, energy and infrastructural construction.

After the talks, Hu Jintao and Bakiyev jointly signed the "Joint Statement of the PRC and the Kyrgyz Republic on Further Deepening Good-Neighbourly, Friendly, and Co-operative Relations" and oversaw the signing of nine documents on bilateral co-operation in various fields, including the economy, technology, infrastructural construction, education, environmental protection, and combating drug trafficking (XHNA, 14 Aug., including the full text of the Joint Statement).

On 15 August Hu Jintao held further talks on bilateral co-operation met with the Kyrgyz Prime Minister, Almaz Atambayev. As in the earlier meeting with President Bikayev, the two sides were in agreement on the importance of trade and economic co-operation. Xinhua noted that the value of two-way trade in 2006 had reached US$2.26 billion – more than double the level of the previous year (XHNA, 15 Aug.).

In Bishkek on 16 August, Hu Jintao addressed the Seventh Meeting of the Council of Heads of State of Member Countries of the SCO (text in XHNA, 16 Aug.). He noted that during the six years of its existence, the SCO had established an effective framework in which to protect the common interests of its members and promote co-operation between them. The evidence of the progress that had been achieved was in the results of on-going economic and "socio-cultural" (e.g., educational) co-operation, as well as in SCO's increased regional and international influence.

The Chinese President noted that despite the aspiration to share in global peace and development, the world still faced many problems of "disharmony and instability," such as manifestations of unilateralism and power politics, "traditional and non-traditional" security threats, and the unequal impact of economic globalization. While SCO members had succeeded in strengthening regional security and promoting economic development, firmer progress had been impeded by "interference or even disruption" – for example, from drug smuggling and "rampant" cross-border crimes. In the face of such challenges, Hu reaffirmed the Chinese government's commitment to regional "good-neighbourliness and friendship," to common and mutually-beneficial development on the basis of regional co-operation within the SCO framework, to the promotion of friendly exchanges between SCO member states, and to opening up to and extending co-operation with the outside world.

Hu concluded:

> The SCO faces new opportunities and challenges in its development, and the responsibilities of the organization's permanent bodies have increased. After a year of deliberations and efforts, reform of the Secretariat and the Regional Antiterrorism Structure has been successfully completed. It is hoped that these two bodies will make greater efforts to perfect the organization's mechanisms and legal foundation, promote pragmatic co-operation among member states, and expand the organization's influence.

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The Chinese side will continue to support the work of the two permanent bodies. (For the full text of the Joint Communiqué issued at the conclusion of the SCO summit, see XHNA, 16 Aug.)

During his stay in Bishkek, Hu Jintao also held separate meetings with the Presidents of Tajikistan (Emomali Rakhmon), Uzbekistan (Islom Karimov), Iran (Mahmud Ahmadinezhad), Afghanistan (Hamid Karzai), and Mongolia (Nambaryn Enkhbayar). In his talks with the Iranian President, Hu expressed understanding of the Iranian position on its right to develop nuclear energy, but pointed out that it also supported the international nuclear non-proliferation system. It was the Chinese government's hope that the Iranian nuclear issue would be resolved through peaceful negotiations. Ahmadinezhad sought to reassure Hu by insisting that Iran was "not seeking to possess the right that goes beyond international laws and the regulations of the International Atomic Energy Agency" (XHNA, 15 Aug.). The Chinese President also gave an undertaking to President Barzai that China would continue to support the economic reconstruction of Afghanistan, including through the provision of aid (ibid).

Hu Jintao travelled from Bishkek to Astana where he held talks with the President of Kazakhstan (Nursultan Nazarbayev). Hu spoke enthusiastically about recent progress in the development of relations between China and Kazakhstan, noting their reciprocal support in major issues of common concern and close co-ordination within various multilateral frameworks (e.g., the United Nations, the SCO and the Conference on Interaction and Confidence-Building Measures in Asia [CICA]). Their joint efforts had, said Hu, made a major contribution not only to the development of the two countries themselves, but also to that of the entire region. He hoped that such efforts would continue and be strengthened, especially in economic (trade, transport and energy) and security spheres. Nazarbayev endorsed the Chinese President's remarks.

Following their discussions, the two men signed a Joint Communiqué, and attended the signing of nine economic, trade and energy co-operation agreements.

Xinhua noted that the value of bilateral trade in 2006 was US$8.36 billion, or 22.8 per cent more than in 2005. In the first half of 2007 the corresponding figure had risen, year on year, by a further 60.4 per cent to reach US$5.97 billion (XHNA, 18 Aug.).

Japan

In Beijing on 23 August Wen Jiabao met Masatoshi Wakabayashi (Special Envoy of the Japanese Prime Minister, and concurrently Minister of Environment and Minister of Agriculture, Forestry, and Fisheries). They exchanged views on issues relating to Sino-Japanese relations, including bilateral co-operation. Zhou Shengxian (Director of the State Administration of Environmental Protection) also attended the meeting. According to a Japanese news agency, Wen Jiabao spoke favourably of the Japanese

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Premier's (Shinzo Abe) comments in a speech marking the anniversary of the end of the Second World War. Abe's remarks referred to the "considerable damage and pain" inflicted by Japan as a result of its wartime activities and affirmed the Japanese government's to "firmly maintain the no-war pledge." Wen added that there was a "good chance" that more substantial progress might now be made in developing bilateral relations between China and Japan (Tokyo, Kyodo, 23 Aug.).

Later the same month during an "official goodwill" visit to Japan, General Cao Gangchuan (Vice-Chairman of the Central Military Commission and Minister of Defence) held talks with his Japanese counterpart, Masahiko Komura (Tokyo, 30 Aug.). The two men exchanged views on international and regional security issues, bilateral relations (including their respective defence policies) and other issues of common concern. Cao conceded the persistence of "some challenges and problems "facing China and Japan, but suggested that there were also "important development opportunities." He stressed the centrality of the Taiwan issue in protecting China's "core interests" and called on Japan to

> recognize the highly sensitive nature of the Taiwan issue, continue to adhere to the principles of the three Sino-Japanese political documents, abide by the one-China commitment, not carry out any official exchanges with Taiwan, let alone issue any wrong signal to the 'Taiwan independence' splittist forces.

Komura described Cao's visit – the first by a Chinese defence minister for almost a decade – as an event of major significance and one that promised "to promote the understanding, mutual trust, and exchanges in the security areas" between the two sides. On the Taiwan issue, he reaffirmed Japanese adherence "to the position as stated in the three political documents" and said that the Japanese government opposed "Taiwan independence."

Both Cao and Komura agreed to maintain bilateral defence exchanges. They also reached a consensus on the planned visit of the Japanese defence minister to China in 2008. They agreed too that a Chinese navy warship would make an unprecedented visit to Japan in November or December 2007 (XHNA, 30 Aug. and Kyodo, 30 Aug.).

During his visit to Tokyo, Cao also met the Japanese Foreign Minister, Nobutaka Machimura. Both men agreed that Sino-Japanese relations had shown some improvement during the previous year, thanks to the efforts of both sides (for a report on a telephone conversation between the Chinese and Japanese Foreign Ministers, see XHNA, 30 Aug.; for text of the Joint Communiqué, signed at the conclusion of Cao's visit, see *RMRB*, 31Aug.).

On 12 September Jia Qinglin (Chairman of the National Committee of the Chinese People's Political Consultative Conference [CPPCC]) began a one-week official goodwill visit to Japan. The visit coincided with the resignation of the Japanese Prime Minister – an event which, it was widely thought, would be a source of regret to the Chinese government (e.g., see the comments of a Foreign

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ministry spokeswoman in XHNA, 12 Sept.; for further reports on Jia's visit, see XHNA, 14 and 17 Sept.).

Latin America (Costa Rica)

In San Jose on 23 August, the Chinese Assistant Foreign Minister (He Yafei) and the Costa Rican Foreign Minister (Bruno Stagnoon) held the first political consultation ever to take place between the two countries. (Following its break with Taiwan, Costa Rica had established diplomatic relations with China on 1 June 2007.)

The two men exchanged views on bilateral relations and the potential for co-operation in international organizations, as well as global "hot issues of common concern." Following the discussions, the two sides signed a number of agreements on mutual visa exemption for diplomatic and official passport holders and the establishment of political consultation mechanism. He Yafei also presided over the formal opening of the Chinese Embassy in Costa Rica (XHNA, 24 Aug.; also see XHNA, 28 Sept., and on trade relations between China and Costa Rica, XHNA, 9 Sept.).

Northeast Asia (Mongolia; North Korea [Democratic People's Republic of Korea]; South Korea [Republic of Korea])

During a three-day visit to Mongolia at the beginning of July, the Chinese Foreign Minister (Yang Jiechi) held talks with the President (Nambaryn Enkhbayar) and Prime Minister (Miegombyn Enkhbold). Enkhbold noted that China had become the most important source of foreign investment in Mongolia.

On July 3 Yang held talks in North Korea with Premier Kim Jong Il and Foreign Minister Pak Ui Joon. He spoke of the Chinese government's hope that existing agreements on the Korean nuclear issue be fully implemented. Kim responded by noting "signs of easing" of the situation on the Korean Peninsula. He called on relevant parties to take "initial actions" in moving towards a resolution of outstanding issues (XHNA, 4 July).

South Asia and Indian Ocean (Afghanistan)

In August the Foreign Minister of Afghanistan (Rangin Dadfar Spanta) travelled to Beijing, where he had talks with senior Chinese officials, including Yang Jiechi and Vice-President Zeng Qinghong. State Councillor and former Foreign Minister Tang Jiaxuan told Spanta of China's determination to maintain its support for Afghanistan's peace process and economic reconstruction, and hoped that the two sides would strengthen their co-operation in combating "non-traditional" threats to security. He suggested that following two meetings between President Hu Jintao and President Hamid Karzai in 2006 and 2007, the "comprehensive and co-operative partnership" between the two countries had entered a new stage of development (XHNA, 20 Aug.).

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Yang Jiechi and Spanta agreed on efforts to strengthen bilateral co-operation in order to build on the "remarkable progress" that had already been achieved. Spanta assured Yang of the great importance which the government in Kabul attached to its relations with China, and expressed its gratitude for the aid that China had given during the previous five years (XHNA, 21 Aug.).

South-east Asia (Indonesia, Malaysia, Laos)

On 5 July Yang Jiechi met the Indonesian President, Susilo Bambang Yudhoyono, and held separate talks with the Foreign Minister (Hassan Wirayuda) and other Indonesian ministers. Both sides expressed their satisfaction with the level and development of relations and co-operation. Susilo hoped that both the bilateral relationship and China's relations with ASEAN would be further strengthened (XHNA, 5 July).

A week later, the Malaysian Foreign Minister (Syed Hamid Albar) travelled to Beijing, where (12 July) he held talks with Wen Jiabao and other senior Chinese officials. Both sides agreed to take steps towards strengthening bilateral strategic co-operation.

On 22 August the Laotian Prime Minister, Bouasone Bouphavanh, arrived in Beijing for talks with Hu Jintao, Wen Jiabao and other senior Chinese officials. It was Bouasone's first official visit to China since becoming Prime Minister in June 2006. Prior to his departure, Bouasone expressed the hope that his visit would facilitate the implementation of various agreements already reached between China and Laos, as well as exploring ways of further strengthening bilateral relations.

China and Laos on Thursday signed six deals on co-operation in various fields in a bid to further boost their traditional friendship.

During his discussions with Bouasone, Wen Jiabao noted the potential for extending co-operation in agriculture, infrastructure, energy and mining. He hoped too that the two sides would intensify their joint efforts to promote "Mekong River sub-regional co-operation" and to combat trans-national criminal activities. Bouasone's remarks focused more on the success of co-operation in the fields of education, personnel training and health care, as well as in fighting trans-national crime and drug trafficking. Following their talks, the two men witnessed the signing of six co-operation documents (including co-operation on food safety, loans and aviation development) (XHNA, 23 Aug.).

In a subsequent meeting with Bouasone, Hu Jintao looked forward to mutually beneficial economic growth in Laos and China. Bouasone echoed Hu's remarks and added that the two countries' development would assist in promoting regional and world peace and prosperity. He gave an undertaking that the Laotian government would continue to support China on the Tibetan and human rights issues (XHNA, 24 Aug.).

During his visit to China, Bouasone also travelled to Liaoning, Hunan and Yunnan provinces.

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Taiwan [Republic of China])

Wang Guangya (China's Permanent Representative to the United Nations [UN]) expressed his government's appreciation of the UN Secretary-General's (Ban Ki-Moon) refusal to accept a letter from the Taiwanese President, Chen Shui-bian, seeking consideration of an application that Taiwan should become a member of the UN "in the name of Taiwan." Wang described Chen's action as "a naked 'Taiwan independence' separatist act" to which the Chinese Government was "resolutely" opposed. In support of the Chinese government's stance, Wang added

> [a]ccording to the UN Charter and the relevant regulations of the Security Council and General Assembly, only a sovereign country is entitled to apply for UN membership. … There is only one China in the world, Taiwan is an inseparable party of Chinese territory, and the Government of the People's Republic of China is the only legitimate government representing China and the only legitimate representative at the United Nations. This is a stand universally upheld by the international community. It fully corresponds with the UN Charter and is recognized by Resolution 2758 of the UN General Assembly. Taiwan is not entitled at all to join the United Nations, an organization only sovereign countries are entitled to, under whatever name in whatever form (XHNA, 23 July; see also XHNA, 24 July for the subsequent accusation by the CCP Central Committee's Taiwan Work Office that Chen was a "schemer … [whose] 'Taiwan independence' activities [were] doomed to fail;" for Taiwanese reactions, see CNA, 24 July).

A Chinese Foreign Ministry spokesman described Taiwan's efforts to secure UN membership as "ridiculous" and said that they were "doomed to fail." He echoed the remarks of Wang Guangya to the effect that only sovereign states were permitted to apply for membership (XHNA, 2 Aug.; for further comment, see also Hong Kong, *ZTS*, 2 Aug.). Xinhua reported that Wang Guangya had sent a letter (dated 17 August) to the UN Secretary General, strongly urging "a minority of countries, including the Solomon Islands" to abide by the UN Charter and General Assembly Resolution 2758 and follow the consensus on the Taiwan issue of the majority of UN member states. The letter stated (see XHNA, 31 Aug.):

> Resolution 2758 as adopted by the General Assembly in 1971 had very clear political and legal meanings. It was based on a self-evident fact, which is that China is a complete country and that Taiwan is a part of China. It resolved the issue of who the legal representative of China is. Consequently, the PRC Government restored its legal representation in the UN, inherited the rights and obligations that belong to China, and was established clearly as the sole legal representative of China in the UN. Therefore, the issue of China's representation in the UN was thoroughly resolved politically, legally, and procedure-wise. More than 160 countries in the world have since established diplomatic relations with China. They recognized the one-China principle and acknowledged that Taiwan is a part of China. That is the principle the UN has been adhering to all along. A minority of countries, including the Solomon Islands wantonly trampled on the objective and principle of the UN Charter as well as General Assembly Resolution 2758 and proposed the issue of so-called "Taiwan's application for UN membership," thus severely violating China's sovereignty and territorial integrity and grossly interfering in China's internal affairs. China attaches importance to its relations with all UN member countries and has never done anything harmful to the countries, including the Solomon

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Islands, that proposed the issue. However, those countries, when it comes to the Taiwan issue, have time and again harmed China's national interests and hurt the Chinese people's feelings. Their actions have also severely interfered with the work of the UN General Assembly and wasted the precious resources of the UN and the vast number of member countries.

Since 1993, the General Committee of successive sessions of the General Assembly have all flatly refused to include the issue of so-called Taiwan's "participation" in the UN in the agenda of the General Assembly. That shows fully the vast number of member countries' determination to uphold the UN Charter and General Assembly Resolution 2758 and also proves that the Taiwan authorities' action of attempting to use "participation" in the UN to engage in splitting China does not enjoy popular support.

The Ministry of Foreign Affairs (MOFA) in Taipei insisted that since Taiwan was already a "sovereign independent country," its bid for UN membership was quite unconnected with seeking "so-called 'de jure independence'." With this in mind, it dismissed Chinese claims, based on its interpretation of UN Resolution 2758, as "misleading." Thus, according to a CNA report (31 Aug.):

Referring to a request by some of Taiwan's diplomatic allies that Taiwan's UN membership application be considered in the upcoming session of the General Assembly, Wang described the move as "a blatant attempt to clamour for and create Taiwan independence." Wang claimed resolution 2758 "is based on a self-evident fact that China is an integrated country and that Taiwan is a part of China." According to Wang, the resolution resolved the question of China's representation in the United Nations "once and for all, politically, legally and in terms of procedures." However, the MOFA argued in the statement that the resolution did not define the relationship between Taiwan and China nor did it empower the People's Republic of China to represent Taiwan in the United Nations.

The MOFA said Taiwan has no intention of challenging the PRC's representation in the United Nations, noting that the ROC has since 1991 no longer claimed to represent the whole of China and that the bid that the country has been promoting since 1993 to participate in the United Nations does not involve the question of "representation of China." Taiwan, which maintains diplomatic relations with 24 countries around the world, is undoubtedly a sovereign country independent of China and is entitled to the right to become a full member of the world body, the MOFA said.

According to the MOFA, a consensus is lacking among UN member states on the relationship between Taiwan and China, and the United Nations should stop claiming that it follows a "one China" policy.

Of all 169 countries maintaining diplomatic relations with China, only fewer than 60 recognize or support the notion of Taiwan as a part of the PRC, while others simply "acknowledge" China's position or do not take a stance at all, the MOFA said.

On Wang's accusation that Taiwan is attempting to change the cross-strait status quo that "both Taiwan and the mainland belong to one and the same China" and working towards "de jure Taiwan independence" by pushing for a referendum on the UN bid, the MOFA reiterated that Taiwan is a sovereign independent country known officially as the Republic of China and has no need to declare independence.

The MOFA noted that Taiwan and China have been ruled separately and have been independent of each other since 1949, a situation which remains the status quo to this day (see also Chen Shui-bian in CNA, 2 Sept.).

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Western and Southern Europe (Switzerland, Germany; European Union [EU])
In July it was reported that the Swiss Economics Minister (Doris Leuthard) had signed a joint declaration with the Chinese Ministry of Commerce Minister (Bo Xilai), designed to establish a free-trade accord. By the terms of reference of the agreement, the two sides agreed to set up bilateral working groups in order to promote reciprocal investment and strengthen intellectual property rights (IPR) protection. An outcome of the agreement was that Switzerland would recognize China as a market economy (recognition the European Union continued to deny to China). For its part, China undertook to conduct its own feasibility study to explore the possibility of establishing a free trade agreement with Switzerland (Bern, Switzerland: Swissinfo, 9 July; see also the comments of Vice-Premier Hui Liangyu in XHNA, 9 July).

Following her arrival in the Chinese capital, the German Chancellor (Angela Merkel) held talks with Premier Wen Jiabao. The two leaders agreed that the protection of intellectual property rights (IPR) should be a priority item for discussion. Stating that "IPR protection is not only an issue between countries, but also a requirement for China itself in its development," Wen said that China would take every possible action to ensure that IPR violations were punished. He also gave an assurance that China would meet its responsibilities in combating the effects of climate change – above all, through improvements in its energy efficiency. He claimed that China had already achieved "remarkable progress" and noted that the country's first-ever national action plan to address the issue had recently been formulated. He acknowledged, however, that fulfilment of the 2010 targets to reduce energy consumption per unit of GDP by 20 per cent and cut pollutant discharges by 10 per cent would be "extremely difficult." In their discussion of product quality and food safety issues, the Chinese Premier insisted that the Chinese government had always taken a responsible attitude, but also warned against trade protectionism and discrimination against Chinese products (XHNA, 27 Aug.).

Angela Merkel also held a separate meeting with Hu Jintao, who looked forward to closer ties and co-operation, not least on environmental issues, between China and Germany. He also expressed the government's gratitude for German support of the one-China policy. He suggested that the development of future bilateral relations should be grounded in joint efforts "to maintain close high-level contacts … to actively expand pragmatic co-operation in various fields … [and] to persist in international co-operation under a multilateral framework … [in order to] meet global challenges and … [contribute] to safeguarding global peace and promoting common development" (XHNA, 27 Aug.).

b *International Organizations and International Meetings (United Nations (UN); Asia-Pacific Economic Co-operation [APEC])*
In a meeting with the President of the UN General Assembly, Srgjan Kerim (Beijing, 27 Aug.) Premier Wen Jiabao expressed his government's view that the

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role of the UN should be strengthened. Only through adherence to multilateralism and reliance on a stronger UN could threats to international peace and stability be countered. This view was central to China's support for reform of the UN on the basis of consultation and "equal discussion" by all its members.

Speaking in Sydney at a meeting of APEC business leaders (6 September), Hu Jintao spoke of the importance which the Chinese government attached to its strategy of sustainable development and its determination to pursue a "new type of industrialization" – that is, a pattern of industrialization driven by science and technology-driven and one that was "cost-effective and resource-efficient, causes less pollution to the environment and taps the full potentials of human resources" (XHNA, 6 Sept.; see also the similar sentiments, expressed by Wen Jiabao at the summer meeting of the World Economic Forum, held in Dalian in the first week of September: XHNA, 6 Sept.).

Addressing the 62nd UN General Assembly [UNGA] in New York (28 Sept.), Yang Jiechi called on members to make the promotion of "harmonious coexistence among countries" the focus of the current UNGA session:

> To resolve hot button issues and peacefully settle international disputes through dialogue and co-operation … is not only what the UN Charter explicitly calls for, but also the right way to uphold world peace and stability and achieve mutual benefit and win-win for all.

In the same speech, Yang Jiechi insisted that climate change must be viewed as "an issue of development," as well as an environmental challenge ("it [climate change] has arisen in the course of development and can only be resolved through development"). He recognized that the implications of climate change were an urgent issue, but drew special attention to the responsibility of developed countries in taking the lead in combating its consequences in both the short term and longer run ("developed countries should … fulfil their commitment on emission reduction in real earnest and continue to take the lead in emission reduction after 2012") (XHNA, 28 Sept.).

In his speech to the 15th Economic Leaders' Meeting of the APEC in Sydney (8 September), Hu made a four-point proposal on dealing with climate change, based on the following principles (further details in XHNA, 8 Sept.):

- that co-operation was essential to global efforts to address the consequences of climate change ("helping others is helping oneself, and only co-operation can bring about win-win progress"), albeit within a context in which *developed* countries accepted their historical responsibility for greenhouse gas (GHG) emissions and committed themselves to fulfilling emission reduction targets contained in the Kyoto Protocol);
- that the effects of climate change could only be addressed through sustainable development ([w]e should ensure that both production and consumption are compatible with sustainable development … [and] [w]e should optimize the energy structure, promote industrial upgrading, develop low-carbon economy, build a resources-conserving and environment-friendly society and thus address the root cause of climate change");

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- that the UN Framework Convention on Climate Change be recognized and accepted as the "core mechanism" for addressing climate change;
- that efforts to deal with the effects of climate change be based on scientific and technological innovation ("[w]e should step up research and development as well as the application of energy efficient technologies, environmental protection technologies and low carbon energy technologies, increase capital investment in these areas, and boost technological co-operation and transfer of technologies").

Hu also addressed the Second Stage Meeting of the 15th Informal Meeting of APEC Leaders (9 September). In his comments on the Doha Round, he argued that the existence of a fair, open, "rational" and non-discriminatory multilateral trading system was essential to the economic "revitalization" of any country, but especially a developing country. Accordingly, China was ready to join other APEC members in bringing about "comprehensive and balanced achievements" through the Doha negotiations as quickly as possible.

Hu was also at pains to highlight the important role of regional economic integration (including the establishment of free trade agreements) in promoting trade and other forms of economic relations within APEC. He hoped that this process would continue and eventually lead to the creation of an Asia-Pacific free trade zone (XHNA, 9 Sept.).

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