Quarterly Chronicle and Documentation

(July–September 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*

1. Internal developments

(a) *The 23rd Session of the Tenth National People's Congress (NPC) Standing Committee*
(b) *Party and Political Affairs*
(c) *Social and Legal Affairs*
(d) *Economic Affairs*
(e) *Education*
(f) *Hong Kong Special Administrative Region (HKSAR)*

2. Foreign Relations

(a) *Diplomatic Tours*
(b) *Countries, Territories and Regions*
(c) *International Organizations*

1. Internal Developments

(a) *The 23rd Session of the Tenth NPC Standing Committee*

The 23rd session of the Tenth NPC Standing Committee (NPCSC) opened in Beijing on 25 August. In a report to delegates on the

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implementation of China's Energy Conservation Law, Li Tieying (NPCSC Vice-Chairman) spoke of the "severe" energy situation in China and acknowledged that work on energy conservation lagged "far behind" what was required. He suggested that energy shortages posed the most serious threat to fulfilling the goal of sustainable economic and social development.

Statistical indicators captured the seriousness of energy constraints. For example, Li noted that national recoverable per capita oil reserves were a mere 7.7 per cent of the world average, while the corresponding figure for natural gas reserves was even lower (7.1 per cent). The growing external dependence for oil was highlighted in net oil imports having risen from 76 million tons to 143 million tons between 2000 and 2005 – an average rate of increase of 13.5 per cent p.a. Even in the case of coal, which China appeared to possess in "endless" quantities, per capita reserves are only 58.6 per cent of the world average. Indeed, in 2005 domestic coal output – some 2.19 billion tons – was insufficient to meet aggregate demand. Official estimates indicated that China's recoverable reserves of coal, oil and natural gas would last for 80, 15 and 30 years respectively, compared with 230, 45 and 61 years, looked at from a global perspective.

Despite such severe physical constraints, China continued to use energy inefficiently. Thus, its energy use efficiency ratio was 33 per cent, or 10 per cent below the world average. In 2004, while having accounted for more than a third of global coal consumption and 7.8 per cent of world oil consumption, China had contributed just 4.4 per cent of global GDP. Concealed in these figures was the finding that the level of energy required to generate 10,000 *yuan* of GDP had risen from 1.30 tons to 1.43 tons of standard coal equivalent between 2000 and 2004. Moreover, the situation continued to worsen, energy needs per unit of GDP having risen by a further 0.8 per cent between January and June 2006 (XHNA, 25 Aug.).

In another report to NPCSC members, Ma Kai (Director of the National Development and Reform Commission [NDRC]) reviewed progress in implementing China's national economic and social development plan during 2006 – the first year of the 11th Five-Year Programme. He spoke of the "excellent momentum" of development, highlighted in the attainment of a "relatively fast growth rate, relatively low level of commodity price, fairly good economic results and comparatively strong development vitality." At the same time, he conceded that there remained a number of "outstanding contradictions and problems" that demanded attention. These included excessively rapid investment, excessive credit expansion, excessive energy consumption, excessive price rises in the housing market, increasing environmental pressures and the persistence of imbalance in China's balance of payments.

Against this background, Ma identified a number of key tasks for the second half of the year. They included:

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- promoting farm development and generate higher farm incomes;
- bringing investment under stricter control;
- strengthening efforts to reduce energy consumption, and protect and improve the environment;
- strengthening regulation of the housing market;
- helping increase consumer demand;
- accelerating industrial restructuring;
- strengthening China's continued integration into the global economy.

A major legislative watershed was passed on 27 August, when NPCSC adopted China's "Corporate Bankruptcy Law," due to take effect on 1 June 2007. It would replace bankruptcy regulations which had been promulgated on a test basis in 1986 and were now widely regarded as failing to provide adequate protection to creditors, and as giving insufficient attention to the state-owned enterprise (SOE) sector. In contrast to existing legislation, the new law would enable laid-off creditors to be paid before any compensation was made to workers. With a single exception (see below), it would apply to all enterprises, including foreign-owned and state-owned companies, and financial institutions. It would require that all such bodies – state-owned as well as private – follow the same legal procedures and rules. Cheng Siwei (Vice-Chairman of NPCSC) sought to capture the essence of the new law as follows:

> [The law] is a compromise that aims to protect both creditors and workers of insolvent enterprises … [It] embodies the notion of putting people first, as it fully considers workers' interests. At the same time it accords with standard international practice in better protecting lenders' interests.

The only qualification to the above was that the provisions of the new law would not apply to some 2,000 SOEs. This reflected the intention that those state enterprises that announced bankruptcy before June 2007 would be allowed to close with the assistance of government bailouts and to pay laid-off workers ahead of creditors. Since 1994, government subsidy support had been given to 3,658 SOEs that declared bankruptcy, and in 2006 the central government had allocated 33.8 billion *yuan* to help bankrupt SOEs reach settlements with laid-off workers (XHNA, 27 Aug.).

At its 23rd meeting, NPCSC adopted a new law on the supervision of standing committees of people's congresses at various levels, designed to strengthen the supervisory powers of people's congresses over administrative and judicial bodies (see Hu Jintao's comments in XHNA 27 Aug.), as well as the revised Partnership Law. It also ratified an agreement with Pakistan to fight "terrorism, separatism and extremism" (XHNA, 27 Aug., which also contains the text of the closing speech to the NPCSC meeting by Chairman Wu Bangguo; for a comment on NPCSC deliberations of the draft Property Rights Law, see XHNA, 22 Aug.).

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(b) *Party and Political Affairs; Ideological Developments*

A major theme of Hu Jintao's speech at a rally (30 June) to commemorate the 85th anniversary of the founding of the Chinese Communist Party was the educational campaign, recently ended, to inculcate a better understanding and facilitate more effective implementation of the principles of the "three represents." Hu claimed that the campaign, which he described as "an important move to arm the whole party with the developing Marxism under the new historical conditions," had achieved remarkable results. It had given most Party members a "profound education" in Marxism through which their awareness of the significance of the "three represents" and the concept of "scientific development" had been greatly strengthened. It had successfully addressed problems, especially among grassroots CCP organizations, and facilitated an improvement in the work style of cadres to the benefit of relations between Party and masses.

Such progress notwithstanding, Hu admitted that a number of "prominent problems incompatible and incongruous with the need of maintaining the party's advanced nature" persisted. Thus,

> some party members' sense of advanced nature is dull, their ideals and beliefs are unstable, and their concept towards the party's objectives is weak; for certain leading cadres and leading groups, their political awareness and theoretical levels are low, they are incapable of addressing complex contradictions, and their work style is not earnest; the organizational construction of the grassroots party organizations in some localities is quite weak; corruption phenomena in some areas remain quite serious; and cases of certain leading cadres abusing their authority for personal gains, accepting bribes, bending the law, and becoming degenerated elements still occur from time to time.

In order to resolve such problems, Hu stressed the importance of further strengthening the link between the "construction of the Party's advanced nature" and fulfilling the threefold task of "… [implementing] the scientific development concept, … building a harmonious socialist country …[and] building the Party's governing ability" (XHNA, 30 June; see also *RMRB*, 6 July for comments on Hu's speech, and, for a few regional responses to the speech, XHNA, 4 July).

On 15 August Xinhua published the text of the CCP Central Committee "Decision" on studying the selected works of Jiang Zemin (dated 13 August 2006). It reaffirmed the critical importance of inculcating Jiang's "important thinking of the 'three represents'" in redefining the role of the Party and in facilitating its modernization:

> [t]he important thinking of the "Three Representations" … answers the questions of what socialism is and how socialism should be built and creatively answers the questions of what kind of party to build and how to build the party under the historical conditions of long-time governance. It is an inheritance and development of Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory; represents yet another move by our party to keep its guiding ideology

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advancing with the times; and makes outstanding contributions to upholding and developing the party's basic theory, basic line, basic programme and basic experience.

The document was at pains to underline the continuities in thinking between the legacy of "Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory" and the concept of the "three represents." Not least, the study of Jiang Zemin's Selected Works served to underline the continuing and central role of ideological and political study as a means of strengthening the work style of cadres. Hence the need for Party committees at all levels to organize study sessions centred on Jiang's writings ("[a]ll localities and departments must make well-thought-out study arrangements, incorporate study into their plans for training party-affiliated cadres at or above the county (division) level and give priority to study by the central theoretical study groups of party committees (leading party groups)") (see also XHNA, 18 Aug. for further comment on the campaign to study Jiang Zemin's writings; also Xinhua, 9 Sept.).

On 6 July Xinhua commented on the recently promulgated "Trial Procedures for Comprehensive Evaluation and Assessment of Leading Teams and Leading Cadres of Local Party and Government Organizations that Manifest the Demand of the Scientific Development Concept." It highlighted the significance of the new measures, drawing particular attention to the diverse criteria on the basis of which cadres were henceforth to be judged. These embraced evaluation of cadres' work from practical, theoretical and moral perspectives, and provided for a more comprehensive assessment of their work through the use of "democratic test and appraisal [and] public opinion polls."

It was announced from Shanghai that following a meeting of the CCP Shanghai Discipline Inspection Commission, the Deputy-Secretary of the Municipal Party Committee (Qin Yu) was being investigated for "severe discipline violations" (XHNA, 24 Aug.). The following month, at a meeting of the CCPCC Political Bureau, it was reported that Chen Liangyu – Secretary of the Shanghai Municipal Party Committee – had himself been dismissed from his post for his involvement in "the Shanghai Municipal Labour and Social Security Bureau's violation of rules in using social security funds, in seeking profits for some law-breaking enterprises' bosses, in harbouring working personnel beside him who had seriously violated law and regulations, in taking advantage of his posts to seek inappropriate interests for his relatives" – behaviour which had "caused a vicious political influence." Investigations of Chen continued (XHNA, 25 Sept.).

(c) *Social and Legal Affairs*

Zhou Shengxian (Director of the State Environmental Protection Administration [SEPA]) revealed that the discharge of major

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pollutants in 17 Chinese provinces had increased in the first half of 2006 – in the case of sulphur dioxide emissions, of which China is the world's largest source, by 5.8 per cent – despite the government's pledge to reduce emissions by 2 per cent by the end of the year. He blamed fraudulent project approval procedures and the slow construction of pollution control facilities as the main reasons for the continued deterioration in conditions. According to Zhou, assessments frequently ignored the failure by projects to fulfil the necessary environmental criteria. A government investigation also showed that almost 40 per cent of construction projects in eight provinces had violated approval procedures. Such evidence, said Zhou, highlighted the fact that "the conflict between economic growth and environmental protection is coming to a head" (XHNA, 20 Aug.).

Later the same month, Zhou Shengxian reported on China's environmental situation to an audience, including representatives of the CCPCC's Propaganda Department, the Ministry of Education, the People's Liberation Army's (PLA) General Political Department of and the Beijing Municipal Party Committee. His principal message was that despite some progress in combating environmental degradation, China's overall environmental situation remained "very grim." Thus,

> environmental problems seriously restrict our economic development, harm people's health, affect social stability and sully the image of the country … [and] restrict our economic and social development and affect our international image and foreign trade.

Zhou reaffirmed the policy thrust of the State Council's "Decision on Implementing the Scientific Development Concept and Strengthening Environmental Protection," issued in December 2005, as well as endorsing the findings of the Sixth National Conference on Environmental Protection (April, 2006). Underlining both was the need to accord *equal* importance to economic growth and environmental protection and to find ways of achieving greater balance between the two. Environmental improvements should also be premised on legal, economic and technical measures, rather than through the use of direct administrative intervention. This new approach was of "directional, strategic and historic importance and [marked] a new milestone in the history of development of environmental protection in our country, and … the beginning of a new stage for the optimization of economic growth through environmental protection."

Zhou was unequivocal in emphasizing that in the twin interests of "benevolence" and gaining popular support the key immediate environmental requirement was "to prevent and control pollution, and [maintain] the safety of drinking water." To these ends, it was essential to put in place – at all levels of governance – a modern environmental monitoring and early-warning system, backed up by

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effective law-enforcement supervisory arrangements (XHNA, 25 Aug.; for statistical indicators of increased pollutant discharges in the first half of 2006, see XHNA, 29 Aug.).

On 30 August, the State Council unveiled a plan to provide access to reliable supplies of safe drinking water to 160 million rural residents by 2010, thereby helping address the problem of widespread contamination of water with fluorine, arsenic, salt, pollution and the schistosoma worm. Central to the plan were measures designed to strengthen the protection of drinking water sources, to improve waste treatment, to enhance water quality monitoring and to increase awareness of the importance of water conservation. At the present time, no fewer than 300 million Chinese rural inhabitants still lacked access to safe, clean drinking water, and only 31 per cent of rural toilets reached official hygiene standards (XHNA, 30 Aug.).

The seriousness of the environmental crisis facing China was underlined in a report, published in September, which revealed that environmental pollution had caused economic losses of 511.8 billion *yuan* in 2004 – that is, 3.05 per cent of that year's GDP. The report gave a breakdown of the aggregate figure, showing that the cost of water pollution was 286.3 billion *yuan*; that of air pollution 219.8 billion *yuan*; and that of solid waste pollution and pollution accidents, 5.7 billion *yuan*. It was also estimated that comprehensive treatment of all industrial pollutants and household waste produced in 2004 would cost 1.08 trillion *yuan* in investment plus 287.47 billion *yuan* in operational expenses (XHNA, 7 Sept.).

A meeting to discuss disaster management noted that 5.4 million accidents and disasters had occurred in China in 2005, causing the deaths of almost 200,000 citizens and economic losses of 325.3 billion *yuan* (almost US$41 million). Although natural disasters were responsible for only a small proportion – little more than one per cent – of deaths, they accounted for a much larger share (63 per cent) of economic losses. The most important source of deaths was industrial accidents, which had killed 127,100 persons in 2005 (XHNA, 21 July; see also XHNA, 31 July).

A Ministry of Civil Affairs report published in August stated that China was facing the most severe natural disasters it had experienced for six years. As of 15 August, disasters in 2006 had already caused the deaths of 2,006 people, as well as affecting the lives of more than 316 million people – 12.95 million of whom had had to be evacuated – and causing economic damage of 160 billion *yuan*. (For comments on the suggestion of a cover-up of the true death toll from natural disasters, see XHNA, 18 Aug.; also on the impact of natural disasters in 2006, XHNA, 6 Sept.)

An analyst (Han Jun) working at the State Council's Development Research Centre (DRC) revealed that in 2005 only 8 per cent of total fiscal expenditure had been directed to support for rural development. This was the lowest such figure for 15 years. Moreover, only half of this sum – a mere 4 per cent of total fiscal spending – had been spent

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on farmers, the remainder being allocated to the construction of water facilities and roads. Such figures underlined the "severe fiscal imbalance" in the central government's spending on urban and rural development (XHNA, 27 Aug.).

According to sources quoting the Ministry of Labour and Social Security (MOLSS), it was expected that some three million farmers would lose their land each year during the next five years under the impact of urbanization. The report also revealed that during the previous 10 years, about 40 million farmers had suffered land losses. In an attempt to address disputes caused by these anticipated developments, MOLSS had undertaken to make available funds to be used by local governments to provide employment training and social security support for farmers left landless. In a comment on the inadequacies of existing compensation arrangements, the report noted a case in Wuhan (capital of Hubei) in which farmers whose land was requisitioned were paid the derisory sum of 4,800 *yuan* per *mu* (0.067 hectares), instead of the 189,000 *yuan* [as reported] to which they were entitled in compensation (XHNA, 24 July).

At a State Council executive meeting (25 July), called to study the implementation of major tasks contained in the 11th Five-Year Programme, Wen Jiabao drew particular attention to the need to strengthen the regulation of land. He acknowledged that alongside recent progress in this regard, new problems had also emerged. They included excessive requisitioning of land for construction, the payment of inadequate compensation for land transferred to industrial use, the indiscriminate occupation of arable land and the illegal use of land. Hence the need to adopt more stringent controls, such as the introduction of higher prices for requisitioned land, extend and improve relevant legislation, and provide for clearer lines of governmental responsibility in order to prevent illegal land use ("[p]rincipal responsible officials of local people's governments at all levels must undertake the overall responsibility for land management and farmland protection in their respective administrative regions") (XHNA, 27 July; see also XHNA, 14 Aug. for Vice-Premier Zeng Peiyan's speech at the National Land Regulation and Control Discussion Meeting, held in Kunming on 13–14 August; and *RMRB*, 13 Aug. for details of new regulations on levels of compensation for requisitioned land).

The most recent (2005) "One per cent population sample survey" highlighted six important characteristics of demographic change in China since the previous latest (1 November 2000 National Census was conducted. They were:

1. *Total population had continued to increase*. Since the 2000 Census China's population had increased by 40.5 million (3.2 per cent) to reach 1.307 billion (end of 2005). This implied an annual average increase of 8.09 million, and an average *rate of* increase of 0.63 per cent.

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2. *The size of the floating population continued to rise*. Between 2000 and 2005, China's total migrant and floating population rose from 144 million to 147 million. Of the current migrant and floating population, the trans-provincial population totalled 47.79 million, or 32.5 per cent of the total. However, the most common form of population movement was "short-distance population flow within provincial boundaries," those involved in such movement accounting for two thirds of the country's total migrant and floating population.
3. *The ageing process intensified*. At the end of 2005, those aged 65 and above for the first time exceeded 100 million, accounting for 7.69 per cent of China's total population; those aged 60 and above totalled 144 million, or 11.03 per cent of total population.
4. *The process of urbanization accelerated*. At the end of 2005, China's urban population was 562 million and accounted for 43 per cent of total population. Although urbanization has become more rapid in recent years, its level in China remains quite low, compared with that of developed countries.
5. *The quality of the population improved*. Overall, the educational level of the Chinese population has improved. In 2005, 67.64 million – 21.93 million more than shown in the 2000 National Census – had received a higher (tertiary) education.
6. *The gender ratio at birth remained highly skewed*. In 2005 the gender ratio of the newborn population was higher than at the time of the 2000 census, indicating that the gender imbalance has worsened. The report noted that "[e]ffectively checking the problem of a relatively high gender ratio in the newborn population [is] a matter of great urgency" (*RMRB*, website, 30 Aug.).

On 1 September, China's amended Compulsory Education Law took effect, providing for the first time the right to education for children of migrant workers irrespective of where they were living. According to the changed legislation, in cases in which both parents (or legal guardians) were migrant workers living and working in places other than those in which the household had been registered, local governments in the areas where they were living must provide for the child's education. The imposition by urban schools of fees that were much higher than those charged in rural areas, as well as evidence that many private schools for migrant children lacked qualified teachers and adequate equipment, highlighted the importance of the legislation. Its scope was suggested in the finding that as of the end of 2004, over 6.4 million rural children of compulsory education age were living in cities with their parents (a further 22 million children remained in their families' rural homes, while their parents worked in cities).

An official in the Ministry of Education revealed that there were 114 million illiterate people in China (almost 9 per cent of the total

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population), most of whom lived in remote, poor areas often with large ethnic minority populations. The challenge of improving literacy was made more difficult because of the increasing number of migrants, although the principal obstacle was lack of funds (on average, the central government's annual allocation of 8 million *yuan* to deal with illiteracy translated into a mere 7 cents (less than 1 US cent) per illiterate person. The government's goal was to eliminate illiteracy among people between the ages of 15 and 24 by 2010. To this end, some 9.76 million illiterate people had received educational support between 2001 and 2005. UNESCO statistics revealed that three-quarters of the world's illiterate adult population were concentrated in 12 countries, of which China was one (XHNA, 16 Sept.).

Elsewhere it was reported that by 2010 there would be 174 million people over the age of 60 in China – almost 13 per cent of the projected total population. Of these 21.32 million would be older than 80. China's aged population was already the largest in the world and, as such, was exerting severe pressure on the country's economic and social development (XHNA, 21 Sept.).

On 1 July, a train left Beijing at the start of the first ever through rail journey to the Tibetan capital, Lhasa. The journey of 4,060 kilometres took the 800 passengers through Shijiazhuang, Xian, Lanzhou, Xining, Golmud and Nagqu. At its highest point, the train reached 5,072 meters above sea level, making it the highest railway journey in the world (see *RMRB*, 1 July).

(d) *Economic Affairs*

It was announced that the National Bureau of Statistics (NBS) had revised China's GDP growth for 2005 from 9.9 to 10.2 per cent.

In July the National Bureau of Statistics (NBS) released figures relating to China's economic development in the first half (H1) of 2006 (XHNA, 18 July). They showed that GDP had risen year-on-year by 10.9 per cent to reach 9.14 trillion *yuan* (c. US$1.14 trillion). Concealed in this was second quarter growth of 11.3 per cent. Although a NBS spokesman denied that such high growth was a cause for concern, others drew attention to the dangers posed by the "obvious overheating of investment" (H1 fixed asset formation having increased by 29.8 per cent – 4.4 per cent more than in the same period of 2005). Meanwhile, H1 inflationary pressures remained modest, with the consumer price index having risen by a mere 1.3 per cent.

During January–June 2006, Chinese exports increased by 25.2 per cent to US$428.6 billion. Imports rose by 21.3 per cent (to $367.1 billion), leaving China with a trade surplus of $61.4 billion. Overseas oil purchases continued to rise: crude oil imports (73.33 million tons – compare this with a 2.1 per cent rise in domestic output during the same period) increased by 15.6 per cent, while shipments of refined products (18.23 million tons) were 16.1 per cent more than in the first

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half of 2005. A flattening of foreign direct investment (FDI) inflows was apparent in the finding that utilized FDI during January–June had fallen by 0.47 per cent year on year. At the end of June, the value of China's foreign trade was US$941.1 billion, or 32.37 per cent above the level of June 2005.

An article by the Research Office of the State Council addressed important issues relating to the future development of the rural sector (*RMRB*, website, 1 Aug.). Its premise was that central to the establishment of "new socialist rural areas" in China was the need to persist in resolving the "three rurals" (*san nong*). It suggested that significant progress had already been made and that current conditions – a bumper summer harvest, rising rural incomes, accelerated rural infrastructural construction – offered a firm basis for continued progress. However, it also conceded that efforts were needed to overcome "some symptomatic and tendentious problems" associated with the new socialist village campaign. These included confusion about what "building new rural areas" meant (for some, it was simply a matter of constructing new houses in new villages), a tendency towards "short termism" in implementing rural policies, and the adoption of a "wait, rely on and ask [*deng kao yao*] mentality."

In order to combat such problems, the article emphasized the core task of implementing "production growth, comfortable living, civilized rural practices, clean and tidy rural appearance and democratic management." Central to the successful fulfilment of this goal was the task of economic construction ("[f]undamentally speaking, the [rural] economy is the foundation, and to promote the building of new rural areas we must adhere to regarding economic construction as the central task and constantly emancipate and develop rural productive forces"). In turn, transforming the rural economy demanded agricultural modernization and the attainment of sustained farm output growth (especially in the grain sector), as well as the continued pursuit of economic diversification in both the agricultural and rural economies in order to rationalize employment and generate income growth.

The article also extolled the virtues of the "two-tier management system," involving the integration of unified and individual management – the latter, achieved through household-based contract management. If this dual approach were to succeed, it was vital that protection be extended to the rights and interests of peasants who had signed land contracts. Accordingly, transfer of contract rights was permissible only if it took place in accordance with the law and on a "voluntary and compensatory" basis ("we cannot violate the peasants' aspirations or force the implementation regardless of the conditions"). Similarly, land requisitions were to be strictly controlled, with sufficient arable land guaranteed for future generations of farmers.

Another necessary condition of the successful establishment of "new socialist rural areas" was the strengthening of appropriate reforms. Thus,

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[w]e should push forward comprehensive rural reform by focusing on consolidating and developing the results of rural taxation reform; pay special attention to doing a good job of township institutional reform, the reform of the rural compulsory educational management system, and the reform of the county and township financial management system; and gradually establish an excellent and highly efficient grassroots administrative and management structure and a public finance system covering cities and villages, and at the same time, we should continue to push forward various reforms such as rural financial reform and land acquisition system reform.

The article reaffirmed the recent shift towards a new strategy for the countryside, in which industry would take the lead in helping promote both agricultural and rural development. To this end, urban and industrial sectors would in future be expected to extend increasing support not only to rural economic construction, but also to social development (improvements in health and education).

On 3 September, Wen Jiabao made a speech at a meeting in Beijing on rural reform. He drew attention to the elimination of the agricultural tax – an event of great importance, symbolizing the beginning of a new stage in China's rural reforms. The importance attached by the Chinese government to such reforms was clear from Wen's remarks, which also highlighted the main thrusts of future rural policy:

[i]t is necessary to … understand the importance … of comprehensive rural reform, promote the reform of township and town organizations, the rural compulsory education and the reform of the county and township financial management structure … establish a rural administrative and management structure and an operating mechanism that are small in size but highly efficient, a public financial system that covers the urban and rural areas, and a rural compulsory education structure that is supported by the government, promote the reduction of the peasants' burden and the increase in their income and the development of the rural public welfare undertakings, and comprehensively push forward the building of a new socialist countryside.

Cancellation of the tax had already had a major impact on the material well-being of millions of farmers, thereby stimulating their productivity. Wen stressed, however, that rural reform transcended mere economic matters to embrace politics, society and even "culture." For example, efforts must continue to improve government organization and administration in the countryside at town and township levels. In particular,

[t]ownship and town governments should focus their efforts on strengthening their functions in three aspects: … to create an environment for rural economic development … to provide more public services for the peasants … [and] to create conditions for building a harmonious society in the rural areas. Besides, it is necessary to let the market, intermediary organizations and villager autonomous organizations to take care of economic activities and social affairs that the government should not undertake.

The Chinese Premier also highlighted the importance of rural education. He reaffirmed the goal of ensuring that every child in the

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countryside should receive adequate primary and middle school education. To this end, all students in receipt of compulsory education at primary middle school level would be exempted from tuition and other miscellaneous fees during 2007 and 2008. In addition, measures were being taken to guarantee financial provision through government departments to cover educational funding in the countryside. Wen added that increased financial provision must also be made available for other social services, including public health (XHNA, 3 Sept.; see also Wen on rural reform in *Qiushi* [*Seeking Truth*], 16 Sept.).

On 7 July Ma Kai (Minister of the State Reform and Development Commission (SRDC) and concurrently Chairman of the Leading Group Office of the State Energy Resources) delivered an important report on China's energy situation and the development of energy resources during the forthcoming 11th Five-Year Programme (2006–2010) (XHNA, 7 July). He reviewed recent energy developments, noting that China had increased both energy production and supply capacities. In 2005, for example, primary energy output had reached 2,060 million tons (standard coal equivalent), or 3.29 times the level achieved in the initial period of reform. He also spoke of having improved the structure of energy consumption: between 1990 and 2005, the share of oil and natural gas in total consumption had risen from 18.7 to 24 per cent, while that of hydropower and nuclear power had also increased (from 5.1 to 7.3 per cent). Such changes reflected significant improvement in the use of cleaner energy sources, with positive environmental implications. They also concealed progress in conserving and economizing on the use of energy.

But alongside such successes, Ma Kai admitted that China's rapid growth in recent years had placed severe pressure on the energy sector, with serious consequences for its social and economic development. Restrictions on energy resources had become more pronounced, as had "contradictions" between supply and demand. The energy sector faced serious problems associated with reliance on backward – sometimes unsafe – energy technologies, inefficiencies in energy use, irrationalities in energy structure, and inadequacies of energy-related laws and regulations.

It was against this background that key energy goals had been set for the 11th Five-Year Programme period. Priorities included:

- using technological, managerial and legislative means to conserve energy resources and enhance energy efficiency;
- promoting a more diversified structure of domestic energy production;
- improving safety in energy, especially coal, production;
- developing international links and promoting external co-operation in order to generate "a reciprocal and win-win situation;"
- accelerating the development of a strategic oil reserve;
- intensifying energy system reform and strengthening the legal underpinnings of the energy economy (for example, through the

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strict enactment of the Law on Energy Resources and the Law on Saving Energy Resources.

In August it was announced that during the first half of 2006 the China National Petroleum Corporation (CNPC) had discovered 260 million tons oil reserves in four blocks in Heilongjiang and Inner Mongolia. Between 2000 and 2005 some 2.42 billion tons of reserves had already been discovered by CNPC.

In the face of what was thought by many commentators to be excessively fast GDP and investment growth, in August China's central bank – the People's Bank of China (PBOC) – announced an increase in the one-year benchmark interest rate by 0.27 per cent, effective as of 18 August. The move followed closely on an earlier increase by 0.5 per cent in commercial banks' deposit reserve ratio.

It was reported that under the 11th Five-Year Programme (2006–2010), China would seek to increase annual grain output to 500 million tons (below the peak level of 512.3 million tons attained in 1998). Other targets included 6.8 million tons of cotton, 32 million tons of edible oil and 120 million tons of sugar crops. Rural enterprises would seek to generate 2.5 million new jobs each year, while a further 5 million farmers a year would find employment in the urban sector. Targeted farm income growth was 5 per cent p.a. (XHNA, 3 Aug.).

A slowing of exports (down from 22.5 to 9.3 per cent year-on-year) alongside a sharp rise in imports (up by 21.6 per cent) was responsible for a widening of China's trade deficit in agricultural products to US $16.22 billion in the first half of 2006. "Technical barriers," such as the introduction by Japan of the Positive List System and overseas concerns fears of animal epidemics – were said to have been the main cause of the deterioration in the trade balance (XHNA, 2 Aug.).

Xinhua noted that exports of saloon cars in the first half of 2006 had risen by 259.6 per cent (sic) to 34,506 (worth US$ 243. million). The corresponding level of exports for the whole of 2005 was 31,124 saloon cars. The report also revealed that China now exported more cars than it imported, although because of low export prices, the value of imports still exceeded that of exports by a wide margin (XHNA, 2 Aug.). Meanwhile, it was also reported that China planned to construct eight car export bases – in Changchun, Shanghai, Tianjin, Wuhan, Chongqing, Xiamen, Wuhu and Taizhou – in order to rationalize its export market for cars and car parts, and facilitate technical innovation in the industry.

An official of NBS commented on the relationship between economic growth and employment in China. He noted that the value of aggregate employment elasticity had consistently fallen in recent years. During the period of the Ninth Five-Year Plan (1996–2000), average GDP growth of 8.6 per cent p.a. had been accompanied by an annual job increase of 8.04 million, whereas under the Tenth Plan

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(2001–2005) annual job creation fell to 7.48 million even thought GDP growth accelerated to 9.5 per cent per annum. In short, during this period the response to a percentage point increase in GDP had fallen from 0.13 per cent to 0.11 per cent.

A variety of factors lay behind this decline. They included changes in the structure of the economy, the adoption of increasingly capital and technology-intensive methods of production, rising SOE bankruptcies and the impact of reforms. The report revealed, for example, that between 1995 and 2005 the labour force in SOEs had contracted from 112.6 million to 64.88 million – a decline of more than 42 per cent. In the same period, the work force in collectively owned enterprises had fallen from 36.28 to 8.1 million (XHNA, 29 Aug.).

Against the background of an over-heated real estate market, in September a circular on managing foreign investment in the housing sector was jointly issued by the State Administration of Foreign Exchange (SAFE) and the Ministry of Construction. It sought to provide stricter control over overseas speculators in the property market through more restrictive regulations on foreign property investors (details in XHNA, 4 Sept.).

It was reported that since 2000, China had undertaken infrastructural construction investment worth 1 trillion *yuan* (US$125 billion) in western regions of China. During the same period GDP growth in these regions had averaged 10.6 per cent p.a., taking regional GDP to 3.33 trillion *yuan* in 2005 (in 2000 the corresponding figure was 1.66 trillion *yuan*). Economic growth had brought significant improvements in living standards, with net income in western regions having risen by 10 per cent p.a. (urban residents) and 6.8 per cent p.a. (rural residents) (XHNA, 6 Sept.).

It was reported that between 1978 and the end of 2005, 1.239 billion tourists had visited China and generated US$219 billion in foreign tourism revenue. The number of annual visitors had risen from under 2 million to 120 million (a growth rate of 17 per cent p.a.), while associated annual tourist income had increased from US$263 million to $29.3 billion (up by 19 per cent p.a.). As a result of these developments, China had become the fourth most popular foreign tourist destination in the world – and the sixth largest in terms of tourist income (XHNA, 21 July).

(e) *Education*

An educational spokesman stated that foreign enrolments in Chinese universities would reach 300,000 by 2020 – more than double the corresponding figure (140,000) in 2005. In order to encourage more overseas students to enrol, the number of government scholarships was to be raised from the current 6,700 to 10,000 per annum. As of the present time, foreign students from more than 190 countries attended courses in 568 Chinese universities (XHNA, 7 Aug.).

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(f) *Hong Kong Special Administrative Region (HKSAR)*

On 19 July, a spokesman for the HKSAR Constitutional Affairs Bureau made the following statement on universal suffrage:

> Both the central authorities and the government are fully alive to the community's aspirations on universal suffrage … [T]he Commission on Strategic Development (CSD) … [has concluded] that, in implementing universal suffrage, we should comply with the principle of gradual and orderly progress, meet the actual situation in Hong Kong, facilitate the development of the capitalist economy and address the interests of different sectors of society. … We will begin discussion on models for implementing universal suffrage for the Chief Executive at the CSD meeting on 28 July. Discussion on models for implementing universal suffrage for the Legislative Council will also begin in the next six months. The government hopes that these discussions will help the community reach a consensus on constitutional development … We will prepare a report to draw conclusions on the discussion of the CSD by early 2007, and will reflect these conclusions to the central authorities. We hope that this can provide a wider basis for further promoting constitutional development during the period from 2007 to 2012 (HKSAR government website, 19 July).

Total employment in Hong Kong rose to a record level of more than 3.47 million during June–August period, with the unemployment rate having fallen to 4.8 per cent (the lowest point for five years) and the rate of under-employment to 2.4 per cent.

2. Foreign Relations

(a) *Diplomatic Tours*

Wen Jiabao's visits to Europe (Finland, the United Kingdom and Germany) and Tajikistan

Premier Wen Jiabao arrived in Helsinki on 9 September. In a written statement released on his arrival, Wen said that he was looking forward to participating in the Ninth China–EU Summit and the Sixth Asia–Europe Meeting (ASEM), both of which would take place during his stay in the Finnish capital. The statement noted the steady development of the China–EU "comprehensive strategic partnership," characterized by the expansion of bilateral co-operation.

During the China–EU Summit (see XHNA, 9 Sept., which also carries the text of the two sides' joint statement), both sides agreed to begin talks on a new "Partnership and Co-operation Agreement" in order to help facilitate the further expansion of co-operation in a wide range of fields, including political, economic, scientific and technological, cultural and educational, and security. Other areas of agreement included "[strengthening] the political strategic dialogue between China and the EU, [enhancing] the substantial co-operation in trade, sustainable development, environment protection, social

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security and finance services, and … [achieving more effective] co-ordination in international affairs.''

Wen was also vigorous in calling on the EU to abandon its arms ban against China and grant China full market economy status. Such a decision would accord with Europe's own interests, not least from a ''strategic and long-term point of view.'' Meanwhile, other matters discussed at the Summit included the Iranian nuclear issue, the Korean peninsular nuclear issue and Darfur.

Following the Summit, the European Commissioner for External Relations (Benita Ferrero-Waldner) said that the meeting had marked a ''real breakthrough'' in terms of strengthening China–EU relations. (For the text of Wen's speech to the 2006 Sino–EU Business Summit in Helsinki, see XHNA, 12 Sept.)

On 13 September, Wen Jiabao held talks in London with the British Prime Minister, Tony Blair. Xinhua reported that their discussion had generated a ''wide-ranging consensus'' on bilateral relations and major international issues. Both men spoke with satisfaction of the level of development of Sino-British relations and looked forward to a further strengthening of ties. They agreed on the desirability of promoting even closer trade ties and economic co-operation, and expressed a determination to further enhance high-level dialogues on sustainable development, energy co-operation, climate change and environmental protection. Following their talks, Wen and Blair signed Memoranda of Understanding on Establishing China-UK Energy Working Group and China-UK Climate Change Working Group.

During his visit, the Chinese Premier also met the British Deputy-Prime Minister (John Prescott) and the Chancellor of the Exchequer, Gordon Brown.

Later the same day, Wen Jiabao arrived in Hamburg on a working visit to Germany during which he met the German President (Horst Koehler) (see XHNA, 14 Sept.) and Chancellor Angela Merkel. In their talks (Berlin, 14 September) Wen and Merkel agreed to strengthen co-operation between China and Germany. Wen expressed his satisfaction at the continuing development of bilateral trade relations and noted that Germany had been China's largest trading partner in Europe for over 30 years, as well as being a major foreign investor in China.

The Chinese Premier's final stop was in Dushanbe (the capital of Tajikistan), where he discussed bilateral relations and other issues with the President Emomali Rahmonov and Prime Minister Oqil Oqilov on bilateral ties and issues of common concern, as well as attending the prime ministerial meeting of the Shanghai Co-operation Organization (see under (c) below).

In their talks, Wen and Oqilov were in agreement that China and Tajikistan should seed to strengthen bilateral trade and economic co-operation. They also undertook to negotiate a bilateral ''good-neighbourliness, friendship and co-operation treaty,'' which might serve as a legal foundation for longer-term relations between the two

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countries. The two leaders agreed to negotiate and sign as early as possible a China–Tajikistan good-neighbourliness, friendship and co-operation treaty, which was intended to lay a solid legal foundation for the development of a long-term and stable relationship between the two countries.

The two sides subsequently signed documents on co-operation in economic, health and media affairs, as well as in combating drug-related crimes.

(b) *Countries, Territories and Regions*

Africa (Chad, Guinea, Benin)

In Beijing on 6 August, the Foreign Ministers of China and Chad (Li Zhaoxing and Ahmat Allam-mi) signed a joint communiqué on the resumption of diplomatic relations between the two countries.

Later the same month, the Foreign Minister of Mozambique (Dr Alcinda Abreu) arrived in Beijing on an official visit at the invitation of Li Zhaoxing.

Later the same month, the Guinean State Minister of Foreign Affairs (Mamadi Conde) arrived in Beijing. Subsequently, he held talks with senior Chinese government officials, including Wen Jiabao, with whom he discussed bilateral relations, and regional and international issues of shared concern.

Towards the end of August, the President of the Republic of Benin (Thomas Boni Yayi) made a state visit to China – his first – where he held talks with Hu Jintao, Wen Jiabao and other senior Chinese government officials. Chinese sources noted that the value of Sino-Beninese trade had increased by 58.7 per cent in 2005 to reach US $1.09 billion. It was also revealed that since 1972 China had extended aid worth US$200 million to Benin. (The text of the China–Benin joint communiqué can be found in XHNA, 29 Aug.).

Baltic States (Lithuania)

On 25 September the President of Lithuania (Valdas Adamkus) travelled to China to begin a five-day state visit. In the course of talks between Adamkus and Hu Jintao, the two sides agreed to seek closer trade and economic co-operation, and to strengthen co-ordination in international affairs.

Central and Eastern Europe (Montenegro, Czech Republic)

On 6 July, representatives of the governments of China and Montenegro signed a communiqué on the establishment of formal diplomatic relations between the two countries. The following day, China opened its embassy in Podgorica, while in Beijing the Montenegrin Foreign Minister (Miodrag Vlahovic) held talks with Premier Wen Jiabao.

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On 27 September the President of the Czech Republic (Vaclav Klaus) arrived in Xi'an at the start of a short visit to China.

Japan

On 8 and 9 July Chinese and Japanese government representatives held the sixth round of talks on gas exploration rights in the East China Sea. Xinhua reported that some progress had been made, but admitted that "great differences" remained between the two sides. On a positive note, in addition to acknowledging the importance of maintaining stability in the maritime region, the two sides reached an agreement, in principle, to establish a "maritime hotline" in order to address "unpredictable situations" that might arise in the East China Sea.

On 15 August the Chinese Foreign Ministry issued a statement, condemning the visit made that same day by the Japanese Prime Minister (Junichiro Koizumi) to the Yasukuni Shrine. The statement referred to the "hurt" which the visit had caused to the feeling of "peoples victimized by the Japanese militarist aggression" and warned of the damage that it would cause to the "political basis of Sino-Japanese relations." It was, said the statement, "a move that challenges international justice and tramples human conscience" (XHNA, 14 Aug.; see also XHNA, 15 and 20 Aug.).

A report issued by the Japan External Trade Organization (JETRO) suggested that the value of Sino-Japanese trade would again – for the eight consecutive year – reach a record level in 2006, thanks to shipments of parts to Japanese assembly plants in China and the subsequent import of finished goods back into Japan. With bilateral trade having already reached more than US$99 billion in January–June 2006, it was possible that the final annual figure would exceed $200 billion. The corresponding figure for the whole of 2005 was $189.44 billion, making China Japan's single largest trading partner (Kyodo, 23 Aug.).

Latin America (Chile, Venezuela)

In Santiago on 21 August the Chilean President (Michelle Bachelet) gave legal assent to a free trade agreement with China, providing tariff-free access to Chinese markets to 92 per cent of all Chile's exports – a figure expected to rise to 99 per cent within 10 years (by which time 97 per cent of Chinese exports to Chile would also be free of tariffs). The agreement was the first of its kind to be signed between China and a Latin American country. The value of bilateral in 2005 was US$7.14 billion – 35 per cent more than in 2004 and more than twice the 2003 level. In the first quarter of 2006, two-way trade had already reached $3.6 billion, making China Chile's second largest trading partner after the United States (XHNA, 22 Aug.).

The day after Bachelet's arrival, the President of Venezuela (Hugo Rafael Chavez) also travelled to Beijing to begin a six-day state visit to

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China. An article in *People's Daily* noted the significant progress made by China and Venezuela in the field of energy co-operation – a development which satisfied the aspirations of China in terms of diversifying its sources of energy (not least, against the background of the unpredictabilities of political conditions in the Middle East), and those of Venezuela in its search for export diversification. However, the quantitative significance of Sino-Venezuelan oil trade was not to be exaggerated: a rise in oil shipments to 200,000 barrels per day would leave China well behind the US, which received 1.5 million barrels daily (*RMRB* website, 22 Aug.).

Talks between Chavez and Hu Jintao focused on bilateral relations. Both men agreed that they should strengthen co-operation and seek to upgrade the "strategic partnership relationship for common development" between their two countries to a new level. Hu noted the good progress that had been made in furthering bilateral relations in recent years. In addition to promoting closer economic relations, he looked forward to extending international co-operation and to expanding high-level exchanges in search of reaching even stronger consensus between the two sides over a wider area.

Chavez also met Wen Jiabao, who spoke of China's willingness to join Venezuela in strengthening the two sides' "bilateral strategic partnership." Venezuela had already, said the Chinese Premier become an "important economic partner" for China in Latin America, with trade having doubled since 2002 (XHNA, 25 Aug.).

Xinhua noted that during Bachelet's visit, the two sides signed eight agreements, two of which were related to the future expansion of energy co-operation between the two countries through the joint exploration of Venezuelan by the China National Petroleum Corporation (CNPC) and a state-owned Venezuelan energy company (PDVSA) (for a Chinese comment on the implications of closer Sino-Venezuelan relations for the United States, see Hong Kong, *ZTS*, 24 Aug.).

South Asia and India Ocean (Bhutan, Maldives)

On 15 August the Bhutanese Minister of Foreign Affairs (Khandu Wangchuk) arrived in the Chinese capital for talks with Chinese leaders.

On 12 September Hu Jintao held talks in Beijing with the President of Maldives (Maumoon Abdul Gayoom). They reached a "broad consensus" on the further development of bilateral relations and co-operation. Later they attended a ceremony for the signing of the China–Maldives economic and technological co-operation agreement and other co-operation documents.

South-East Asia (Laos, Vietnam; Brunei)

The President of Laos and General Secretary of the Central Committee of the Lao People's Revolutionary Party, Choummaly

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Sayasone, ended a short visit to China on 2 July. During his stay, Choummaly held talks with senior Chinese officials, including Hu Jintao, Wen Jiabao and Zeng Qinghong with whom he exchanged views on bilateral party and government relations, as well as regional and international issues of shared concern (XHNA, 2 July; for the text of a joint press communiqué, see XHNA, 30 June).

On 22 August the General Secretary of the Central Committee of the Communist Party of Vietnam (Nong Duc Manh) arrived in Beijing at the start of a five-day official goodwill visit to China. During the visit, Manh held discussions of bilateral, regional and international issues with senior Chinese officials. His meeting with Hu Jintao included an exchange of views on the future prospects for expanded trade between China and Vietnam, as well as border and security issues. Hu put forward a five-point proposal on the further development of bilateral relations. It included provision for regular high-level dialogue through inter-Party and inter-governmental visits, and an exchange of "experience on party ruling and state governance and theory and practice of socialism in a bid to consolidate the political base of the relations between the two parties and countries." On trade and economic relations, Hu called for long-term co-operation in energy, resource exploitation and communications. One of the outcomes of Manh's visit was an agreement to speed up the process of exploration and extraction of oil and natural gas in the Beibu Gulf (XHNA, 22 and 24 Aug.; for the text of the two sides' joint communiqué, see XHNA, 24 Aug.).

A joint communiqué issued by the two sides referred to the "fine" development of inter-Party and inter-governmental relations and looked forward to a further strengthening of these bilateral relationships. During their talks in Beijing, representatives of both countries had reached a consensus on a wide range of bilateral, regional and international issues and there was strong agreement that Manh's visit had marked "a huge leap in the friendly neighbourliness and comprehensive co-operation between Vietnam and China." In talks on the further development of trade and economic co-operation, the two sides expressed determination to seek early fulfilment of the target of raising two-way trade to US$10 billion by 2010. They also looked forward to achieving even closer co-operation in areas such as infrastructural construction, manufacturing, human resources, energy and mineral processing. It was hoped too that outstanding issues relating to the border issue would be fully resolved by no later than 2008 (Hanoi, Vietnamese News Agency, 24 Aug.).

Prince Mohamed Bolkiah, the Foreign Minister of Brunei, arrived in Beijing on 2 September. In Beijing, he met and had talks with Li Zhaoxing and other Chinese officials. The main focus of their discussions was bilateral relations – especially trade and economic co-operation – between China and Brunei. Li and Bolkiah signed a memorandum of understanding on tourism co-operation.

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United States of America

On 20 September, Henry Paulson arrived in Beijing on his first visit as US Treasury Secretary. During his stay, he held separate meetings with Hu Jintao, Wen Jiabao and other senior Chinese government officials. Hu told Paulson of the Chinese government's determination to join the United States in "[expanding] common interests, respect and [addressing] each other's concerns to push forward the China–US constructive partnership" (XHNA, 22 Sept.).

The same day, a "Joint Statement between China and the United States on the Inauguration of the Sino-US Strategic Economic Dialogue" announced the establishment of a new economic dialogue forum, as agreed earlier in the year by the Chinese and US Presidents. The statement was issued, following talks between Paulson and Vice-Premier Wu Yi. The new mechanism was intended to help further the continued development of closer Sino-US trade and economic relations, with expected benefits for global economic stability and security.

Western Europe (Sweden, Luxembourg, Italy). On 17 July King Carl XVI Gustaf of Sweden arrived in Guangzhou at the start of a six-day state visit to China. Subsequently, in Beijing, he held talks with Hu Jintao, who spoke of the Chinese government's desire to extend co-operation with Sweden. King Carl responded positively, acknowledging that China's rapid development had generated new business opportunities for Swedish enterprises. He hoped that expanded co-operation would embrace not only trade and economic affairs, but also science, technology, education and environmental protection (XHNA, 20 July).

On 3 September Grand Duke Henri of Luxembourg arrived in Beijing at the start of a state visit. He held talks with Hu Jintao and Wen Jiabao, focusing on bilateral relations, as well as regional and international issues of common concern. Grand Duke Henri also visited Shandong province and Shanghai.

On 13 September, the Italian Prime Minister (Romano Prodi) arrived in Nanjing to begin a six-day official visit to China at the invitation of Premier Wen Jiabao.

(c) *International Organizations (Group of Eight [G8]; Asia-Europe Meeting [ASEM]; Shanghai Co-operation Organization [SCO]; United Nations [UN])*

Hu Jintao arrived in St Petersburg on 16 July in order to attend the outreach session of the G8 summit. In a written statement he called for greater co-operation and co-ordination in addressing development challenges – most notably, those associated with the widening North–South gap, rising oil prices, increasing threats posed by natural disasters, and environmental degradation, the increased incidence of globally communicable diseases – in order to create "a harmonious

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world with lasting peace and common prosperity.'' He made a number of specific proposals. In one of these, he called for the establishment of a new concept of energy security, based on ''mutually beneficial co-operation, diversified development and co-ordinated support.'' In another, he urged closer international co-operation in preventing and combating communicable diseases – both new (atypical pneumonia, avian influenza) and existing (AIDS, tuberculosis and malaria) (XHNA, 17 July).

During his stay in St Petersburg, Hu also held separate meetings with the Presidents of France, Kazakhstan, Republic of Congo, Russia and the United States, and the Prime Ministers of India and Italy. In addition, Hu Jintao, President Vladimir Putin of Russia and Indian Prime Minister Manmohan Singh held a trilateral summit meeting – the first ever to take place between the three countries – in which they discussed co-operation between their three countries. Hu drew attention to the ''vital'' influence of all three nations in shaping regional and international affairs, and noted the scope for three-way co-operation in energy, economic, scientific and technological fields.

At a group meeting with senior government officials from India, Brazil, South Africa, Mexico and the Republic of Congo, the Chinese President put forward three proposals to strengthen co-operation among developing countries. In summary, they were: to promote and strengthen international development co-operation; to seek stronger co-operation in order to bring about an outcome from the Doha Round negotiations; and intensify South-South co-operation. Hu's suggestions were made against the background of conditions which he interpreted as being both favourable and inimical to future global development (see XHNA, 17 July for the full text of Hu's speech).

In September Helsinki was the venue of a two-day Asia–Europe Meeting (ASEM) summit attended by leaders of the EU, the 10 ASEAN nations plus China, South Korea and Japan. Trade and economic relations were at the centre of the agenda, including discussion of a free trade agreement between the EU and ASEAN.

In his speech to the ASEM summit (10 September), Wen Jiabao called for closer co-operation between European and Asian in order to meet the new challenges facing the two continents. ASEM provided an ideal vehicle for fulfilling this goal, since it had become ''a strategic platform for Asia and Europe to strengthen co-ordination, further co-operation and pursue common development.'' Increased co-operation should not only embrace economic issues, but also seek to strengthen political dialogue and provide a more effective means of addressing security threats.

Addressing the fifth prime ministerial meeting of the Shanghai Co-operation Organization [SCO] in Dushanbe (Tajikistan) on 15 September, Wen Jiabao spoke of the growing economic strength of SCO members and of the potential for closer economic co-operation within the Organization. At the same time, he noted the ''intricate and complex'' security situation in the region, characterized by ''rampant

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activities by the 'three forces' [ethnic splittist forces, violent terrorist forces and religious extremist forces] seriously threatening regional peace and stability."

This was the background against which Wen made a threefold proposal for the further development of relations within the framework of the SCO. These embraced:

- strengthening legislative and policy-making co-ordination in order to help promote trade and investment ("[f]ormulating uniform, transparent, and fair rules on trade and investment is the basic condition for carrying out regional economic co-operation");
- deepening economic and technological co-operation, including launching at the earliest opportunity "network projects that involve multiple parties and yield common benefits," such as transport, telecommunications and other kinds of construction;
- reducing and removing funding constraints through the medium of intra- and extra-SCO bodies (XHNA, 15 Sept.).

The full text of the joint communiqué, issued at the end of the SCO Prime Ministerial meeting, is available in XHNA, 15 Sept.

Addressing the 61st UN General Assembly (22 September) the Chinese Foreign Minister, Li Zhaoxing, made a speech under the title "Strengthen Dialogue and Co-operation and Jointly Seek Peaceful Development," setting out the Chinese government's position on a number of important international issues, including the Iranian and North Korean nuclear issues, the conflict between Israel and Lebanon and the Palestinian issue. Underlying his remarks was the government's determination "to work unremittingly for the peaceful resolution of hot issues." A common theme in China's approach to real or potential conflicts was the belief that diplomatic negotiations offered the best way forward.

On the UN itself, Li reaffirmed his government's belief that reforming the UN in order to strengthen its role was in the interests of the entire world. Thus,

> [t]he UN needs to take firm and steady steps on the issue of reform and develop in a direction that helps safeguard the objectives and principles of the "UN Charter," promotes unity and co-operation among member countries, and benefits the overall interests of member countries. The reform should satisfy, to the fullest extent, the aspirations of member countries, especially the vast number of developing countries (XHNA, 23 Sept.)

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