Quarterly chronicle and documentation

(January–March 2008)

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, 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

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1. Internal Developments

a *The 32nd Session of the Tenth NPC Standing Committee (NPCSC)*

The final (32nd) Standing Committee meeting of the Tenth NPC took place in Beijing between 26 and 28 February. It examined various legislative documents, including the draft version of an employment promotion law, and the draft work report of the NPC Standing Committee (to be submitted to the parent NPC at its full meeting in March) (see XHNA, 28 Feb. for details of Wu Bangguo's speech at the closing session).

b *The First Session of the 11th NPC*

The First Session of the 11th NPC opened in Beijing on 5 March. As usual, the highlight of the first day's proceeding was the presentation of the government work report by Premier Wen Jiabao (the full text of Wen's report, on which the following is based, is taken from the live broadcast by Chinese Central Television, Channel 1).

Review of government work during the previous five years

Wen Jiabao spoke of major progress having been made under the impact of continuing reform since the First Session of the previous (Tenth) NPC in 2002. During these five years, China's GDP had recorded an average growth of 10.6 per cent p.a., as a result of which China's ranking in the world had risen from sixth to fourth place. The value of China's merchandise trade in 2007 was US $2,170 billion – the third-largest in the world (in 2002 China had ranked sixth as a trading nation); its foreign exchange reserves had meanwhile risen to more than US$1,520 billion, and fiscal revenues had increased substantially to reach US$5,130 billion.

There had also been major improvements in welfare and living standards during the previous five years: alongside the introduction of free compulsory rural education, there had been important public health initiatives, including the preliminary establishment of a basic medical service scheme for urban and rural residents. Since 2002, urban employment had increased by 51 million. Average per capita urban disposable income had increased by almost 80 per cent to 13,786 yuan (an average growth of 12.3 per cent p.a.). In the countryside, average per capita net income had risen by 67 per cent to reach 4,140 yuan (10.8 per cent p.a.). Social security provision had also been improved and the momentum of poverty alleviation had been maintained.

An important strategic initiative of the previous five years had been the implementation of a new "scientific development concept," designed to enhance social harmony. Accompanying this initiative, the government had made significant progress towards improving macroeconomic control in order to combat problems associated with excessive fixed investment, excessive credit expansion and a rapidly expanding foreign trade surplus. Efforts had been made to address problems of unstable, uncoordinated and unsustainable development through structural economic adjustments, improvements in agricultural and

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land policies, and other measures. By such means, China had maintained rapid and stable economic growth.

Wen drew particular attention to the government's efforts to increase food output and farm incomes in order to strengthen the agricultural base. Central to these efforts was the decision to abolish the agricultural tax and other associated levies, thereby reducing the burden on farmers by 133.5 billion yuan. A variety of subsidies had also been introduced in order to enhance incentives in the farm sector. Government investment in agriculture had also risen substantially: between 2002 and 2007 budgetary spending on agriculture totalled 1,600 billion yuan, of which almost 300 billion were directed to infrastructural construction. Increased local government investment complemented higher central government spending.

Another cornerstone of China's modernization efforts had been the formulation and implementation of policies relating to scientific and technological development, designed to enhance national innovation capacities. During 2002–07, central budgetary spending on science and technology was 340.6 billion yuan, while the level of research and development spending as a share of GDP had risen from 1.07 to 1.49 per cent. Enterprise-related technological innovation was a particular focus of government policy. Overall, said Wen, "[t]he capability to support scientific and technological innovation and lead socio-economic development was markedly enhanced."

Rationalization of the industrial output mix was a continuing focus of attention. To this end, efforts were made to accelerate the development of new and high-technology industries using the most advanced techniques, new forms of energy and new materials. At the same time, progress was made towards the renovation and upgrading of equipment manufacturing industries, as well as towards the development of modern service industries (e.g. tourism and finance).

Among major infrastructural projects completed since 2002 were the Qinghai–Tibet Railroad, the Three Gorges Dam project, the west-to-east power conveyance project, the west-to-east natural gas transfer project, and the south-to-north water transfer project. Meanwhile, power generation was increased by 350 million kW. (equivalent to cumulative generation for the whole of 1950–2002); the road system was extended by 192,000 km. (including 28,000 km. of high-speed roads), and railways by 6,100 km.; and 568 new shipping berths, with a handling capacity of over 10,000 tons, were installed.

The report stressed the importance of fulfilling energy conservation and emission reduction targets. Some progress towards meeting these goals had already been made by closing down "backward" production capacities: in the previous two years, for example, 11,200 small-scale coal mines had been closed down, while sizeable amounts of obsolete iron smelting, steel and cement production capacity had been eliminated. At the same time, key energy and resource-saving and environmental enhancement projects were under way. The impact of such initiatives was becoming apparent. In 2007 energy consumption

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per unit of GDP fell by 3.27 per cent, and for the first time in recent years the level of sulphur dioxide emissions also declined (by 4.66 per cent).

Since 2002, efforts to bring about the "rational distribution and co-ordinated development" of China's regional economies had also achieved success. Central government investment of 280 billion yuan had helped facilitate the implementation of important infrastructural and environmental projects in western regions. In the northeast, the focus of attention was the rejuvenation of the former state-owned heavy industries and the creation of large-scale food production bases. Major initiatives, embracing agricultural modernization and the development of new industries, were at the heart of efforts to promote the "rise" of central China. Finally, there had been accelerated growth in the Shanghai Pudong and Tianjin Binhai "New Areas."

Wen Jiabao reaffirmed the importance of continuing state-owned enterprise (SOE) reform ("there is a need to accelerate the reforms of state-owned enterprise shareholding system and assist the development and growth of a number of big companies and major enterprise groups with international competitiveness") in order to consolidate the role of the "public ownership economy" as the basis of China's economic system. He noted that as of 2006, the value of SOE assets was 60.98 per cent higher than in 2002; during the same period, profits had increased by 223 per cent. At the same time, the role of the non-public-owned economy had also grown substantially, in terms of growth and employment creation and raising tax revenue.

Further progress had been made too in implementing financial and tax reforms. Important initiatives included the restructuring and listing on stock exchanges of the four major banks – Industrial and Commercial Bank of China, Bank of China, China Construction Bank, and Bank of Communications. Other banking reforms were also under way.

The quality of health of the Chinese population had improved since 2002. Not least, mortality rates of infants and pregnant women had fallen substantially, and by 2005 average life expectancy had reached 73 years.

Foci of employment policy included the strengthening of urban and rural public employment agencies, as well as the enhancement of vocational and technical training. On average, 10 million new urban jobs had been created each year between 2002 and 2007, and arrangements made for the transfer of 8 million rural workers to urban employment. Wen claimed that reemployment problems of former SOE workers had been basically resolved and that an effective unemployment insurance scheme had been put in place to ensure that unemployed workers obtained the basic living allowances to which they were legally entitled. In short, against a background of high employment demand China had "basically maintained a stable job market."

The need to put in place a more effective social security system has long been a major priority for the Chinese government. During 2002–07, social security budgetary spending totalled 1,950 billion yuan, or 41 per cent more than in the previous five years. In the same period, the number of workers covered by the

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basic pension insurance system had increased by 54 million to more than 200 million. Meanwhile, the number of urban workers enjoying basic medical insurance system had risen almost twofold to reach 180 million; in the countryside the corresponding figure was 730 million.

Outside the economic sphere, Wen Jiabao drew attention to government efforts to improve "social management." Progress had been made in "building … democracy," strengthening the legal system and enhancing national defence. Military modernization, involving reforms of "the military structure, staffing, and … related policies and systems" had resulted in the downsizing of China's armed forces by 200,000.

The Chinese Premier reaffirmed the principle of "one country, two systems" and the appropriate "Basic Laws" as the basis of China's relations with the Hong Kong and Macau Special Administrative Regions. As for Taiwan, the principle goals of Chinese policies had been to combat "Taiwan independence separatist activities" in order to safeguard China's sovereignty and territorial integrity.

Further afield, the stable development of relations with the United States, increased co-operation with both the EU and Russia, and improved relations with Japan all offered evidence of major progress made by China in its "omni-dimensional diplomacy." Relations between China and its neighbours had also improved and new initiatives had opened up with developing countries. Overall, said, Wen,

> We have successfully held a series of major multilateral diplomatic activities. We have appropriately handled various new challenges in the international arena and actively and responsibly participated in resolving global issues, playing an important constructive role in resolving issues concerning international and regional hotspots.

The lessons and priorities which Wen Jiabao drew and identified from the experience of the previous five years were the following:

- First, the need to "uphold emancipation of the mind." As he put it, "[o]nly by persisting in basing everything on reality, doing away with fetishes, daringly breaking with outdated conceptual shackles, respecting the masses' innovative spirit, boldly exploring, practicing, and creating, and advancing with the times, can we make our socialist modernization undertakings full of vigour and vitality."
- Second, the need to hold unswervingly to the "scientific development concept" in order to enhance economic efficiency and the quality of growth to the benefit of all groups and regions of the country.
- Third, the need to maintain the momentum of reform and opening up – these being the "major and crucial choices that [will] determine the destiny of contemporary China."
- Fourth, the need to implement appropriate macro-economic regulatory and control policies in order to help perfect the socialist market economic system. Thus, "To a greater extent, we must give full play to the basic role of the market in resource allocation, and strengthen the vitality and competitiveness

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of enterprises. At the same time, we must strengthen and improve macro-regulation and control, persist in primarily using economic and legal means, give full play to the combination effect of various policies, and adhere to differentiated treatment featuring both protection and suppression. … Only by organically integrating market mechanisms and macro-regulation and control can we ensure that the entire economy is full of vitality and rich in efficiency, developing in a sustained, healthy and co-ordinated manner.''

- Fifth, the need to adhere to ''governance for the people.'' Inherent in this was the notion of serving the people and recognition that ''[o]nly by upholding everything as belonging to the people, for the people, depending on the people, and to the credit of the people can we gain the broadest and most reliable foundation in the masses and the source of power for our various endeavours.
- Sixth, the need to ensure that all government work was conducted in accordance with the Constitution and laws.

In addition to reviewing the achievements of the previous five years, the Government Work Report also highlighted some of the ''prominent problems and deep-seated contradictions'' which had continued to impede China's social and economic development. These included:

- excessive growth of fixed investment, and lack of co-ordination between investment and consumption;
- excessive currency and credit loans;
- a lack of balance in international payments;
- the persistence of ''structural contradictions'' and problems associated with an ''extensive economic growth mode'';
- the uncoordinated development of primary-, secondary- and tertiary-sector activities, and the disproportionate weight of manufacturing industry to the detriment of services;
- the weakness of China's capacity for independent innovation;
- the excessive environmental cost of economic growth;
- the weakness of the agricultural foundation (''it has become difficult to steadily develop agriculture and for peasants to increase their income'');
- increasing inflationary pressures;
- growing uncertainties and risks associated with a deteriorating external economic environment.

Finally, Wen was candid in acknowledging the wide gap that existed between the government's own efforts and the demands of ''the situation and people's expectations.'' Thus,

> The transformation of the government's functions has not been completed. Social administration and public service are relatively weak. Some government departments have overlapping responsibilities and their authorities and responsibilities are not well matched. Some of them shift their responsibilities onto each other and have poor work efficiency. Some government workers have weak awareness on public service and are incompetent. The mechanisms for supervising and restraining power are imperfect. The

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issues with formalism and bureaucracy are relatively prominent. Fraudulent, extravagant, and corrupt practices are relatively serious.

Main tasks for 2008

The Chinese Premier outlined major social and economic development targets for 2008, as follows:

- GDP growth – about 8 per cent;
- increase in CPI – 4.8 per cent;
- urban employment creation – 10 million jobs;
- rate of registered urban unemployment – about 4.5 per cent.

Priority tasks for 2008 included the following:

(i) Improving macroeconomic control and regulation: central to fulfilling this goal was the implementation of "prudent" fiscal and "tight" monetary policies. Inherent in the former were projected improvements in the efficiency of investment use, and plans to reduce the budgetary deficit from 245 to 180 billion yuan, and to cut treasury bond issues for investment from 50 to 30 billion yuan. Investment designed to help address the "three rural issues" (*san nong*), education, health and social security, low-cost housing, and energy-saving and emissions-reduction would be substantially increased. A major objective of monetary policy would be to address problems of excessive fixed investment, excessive monetary credit, inflationary pressures and "contradictions in liquidity surplus." Efforts would also be made to allow interest rates to play a greater leverage role and to increase the flexibility of the renminbi exchange rate.

(ii) Strengthening the agricultural foundation of the economy: the main foci of efforts here would be: to guarantee food supplies by generating strong grain output growth on the basis of a stable sown area and increased unit area yields; to strengthen rural infrastructural construction, especially for purposes of water conservancy and land reclamation; and to extend the opportunities for farmers to increase their personal incomes. In turn, the means to fulfilling these objectives lay in "massively" raising agricultural and rural investment, improving agriculture-support policies (including the provision of direct grain and agricultural materials subsidies), protecting and preserving farmland, and improving the agricultural technology "promotion and services systems."

(iii) Adjusting the economic structure and changing the mode of development: the aim here was to shift from investment- and export-driven economic growth to a pattern of growth based on more effective co-ordination of the role of consumption with those of investment and exports. In turn, the key requirement to fulfilling this goal was to exert stricter control of fixed investment – for example, by adhering to "strict control of land and credit thresholds and market access standards." As for changing the mode of development, the key lay in promoting independent innovation through the implementation of China's medium- and long-term plans for national science and technology development.

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By such means, improvements in the industrial structure would also take place, enabling the economy to move towards "the road of new industrialization with Chinese characteristics [based on the] integration of informatization and industrialization." A more rational and co-ordinated pattern of regional development would also emerge, taking advantage of the comparative advantages inherent in economic conditions in western, north-eastern, central and eastern regions of the country.

(iv) Strengthening efforts in environmental protection, energy conservation and emissions reduction: a greater sense of urgency was needed in addressing these issues, said Wen. Priority goals included the elimination of "backward" production capacity, improving energy conservation in key enterprises and construction projects, using more efficient technologies to combat energy and resource waste, setting higher environmental criteria, recycling more resources and addressing problems associated with climate change. It was important too to enhance environmental monitoring and to put in place a more effective system of rewards and punishments in order to facilitate environmental protection and resource conservation.

(v) Deepening economic structural reforms and opening up to the outside world: immediate priorities were to strengthen the process of SOE restructuring (including rationalizing their ownership structures), as well as that of collective enterprises, and intensify fiscal and financial reforms. Developments in foreign trade should focus on optimizing the export mix and encouraging exports based on Chinese intellectual property rights and brand names. Service exports should also be increased, as should imports, especially those of "advanced technology and equipment, important raw and semi-finished materials, and crucial parts and components."

(vi) Focusing more on "social construction" and improvements in living standards: a priority target was the implementation of the system of universal, free and compulsory education in both the urban and rural sector. In particular, spending on rural education should be increased and efforts made to ensure that poor families and migrants were not debarred from education. From autumn 2008, tuition and miscellaneous fees for urban compulsory education would be abolished. Other goals were to further develop vocational education and to enhance the quality of tertiary-level education. Fulfilment of these goals was contingent on recruiting well-trained teachers (especially in rural areas) and improving pedagogical standards in schools. Wen also acknowledged the need for improvements to the health care system. As for population control and family planning, he highlighted the importance of focusing on the needs, in particular, of three groups: the elderly, minors and the handicapped. Extending social security provision and providing adequate housing were two other priorities.

(vii) Deepening "cultural system reform": the report made clear the importance of ideology in promoting cultural development and meeting people's increasing demand for "diverse cultures." Thus,

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> We … need to use the latest results in the Sinicization of Marxism to educate the people, foster a common ideal of socialism with Chinese characteristics, strongly promote a national spirit with patriotism at its core, and a spirit of the times with reform and innovation at its core …. It is necessary to promote harmonious cultural building, carry out citizen ethics project, and cultivate civilized social conduct. There is a particular need to enhance ideological and ethical building among the youngsters.

Every village in China should have access to radio and television broadcasts; every farm household should have access to books; and every rural area should have facilities for the showing of films.

(viii) Building a "socialist democratic legal system" based on social equality and justice: it was the government's intention to promote the further development of "people's democracy," to encourage different forms of democracy and to ensure that government was based on the rule of law. Hence, the need for more and better legislation, formulated in consultation with the general public. An important principle was that of "rationally [defining] and [adjusting] the limits of administrative law enforcement power, and [strengthening] oversight and fully [implementing] the responsibility system of law enforcement." Other priority aims were to enhance "social management" and improve safety in the work place.

(ix) Strengthening administrative reform and improving the quality of governance: reform of administrative management was an essential adjunct to political reform and to perfecting the "socialist market economic system." The ultimate goal was to put in place a system of administrative management that "sees power and responsibility go hand in hand, … has a rational division of labour, whose decision-making process is scientific, that can be executed smoothly, [and] that is effective in supervision" – not least, through assistance from institutions such as trade unions and chambers of commerce.

Meanwhile, the reform of government organs would also continue in order to bring about a clear separation of power and responsibility within and between departments. These goals were inherent in the State Council's "reform plan" which would be submitted to NPC delegates for consideration.

No less important was the need to intensify efforts to improve the quality and integrity of administration. Thus,

> We will attach even greater importance to combating corruption and encouraging integrity, and fight corruption unequivocally. We will effectively improve the system for preventing and punishing corruption in accordance with the principle of addressing both the symptoms and root causes of corruption and taking a dual approach that combines prevention and punishment, with the emphasis on prevention.

Wen highlighted, in particular, the need to address problems associated with "excessive concentration of power" in a context in which there existed insufficient checks and balances. Such problems included waste, extravagance, and the flouting of laws and disciplinary regulations.

The final part of the report addressed issues of defence and China's relations with Hong Kong, Macau and Taiwan.

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The Chinese Premier described the enhancement of national defence and military construction as "the strategic mission of developing socialism with Chinese characteristics." Economic and military developments should be co-ordinated to ensure that the process of modernization was backed up by "a strong military." The principal goals in this regard were to put in place a military and defence framework that was capable of meeting security threats and "accomplishing various military missions" (including upholding China's sovereignty and territorial integrity). To these ends,

> We must enhance the construction of the people's armed police, and step up its capability to carry out operations, handle emergencies, fight terrorism, and maintain stability. We must enhance defence education and … the people's awareness of national defence. We must perfect the defence mobilization system…

As in previous years, the report reaffirmed the Chinese government's determination to uphold the key principles of "one country, two systems," "Hong Kong administered by Hong Kong people" and "Macau administered by Macau people," and strictly abide by the basic laws of the special administrative regions. As for cross-Strait relations, Wen hoped that they would develop in accordance with "the basic guideline of 'peaceful reunification; one country, two systems,'" and ultimately lead to the peaceful reunification of China with Taiwan. However, he left no doubt that China would continue to oppose "separatist activity of Taiwan independence, and will not tolerate anyone separating Taiwan from China under any pretext or by any means":

> Taiwan independence separatist forces' attempts to change the status quo of the mainland and Taiwan belonging to one China and undermine peace in the Taiwan Strait are doomed to failure. Reunification of the two sides of the Strait is inevitable during the course of the great rejuvenation of the Chinese nation.

Also on 5 March, the Ministry of Finance's budgetary report was presented to NPC delegates (full text in XHNA, 20 Mar.). Details follow.

Implementation of Central and Local Budgets for 2007

The preliminary estimates of budgetary revenues and expenditures during 2007 are shown in Table 1.

The budgetary report shows the allocation of spending by central government in 2007 (see Table 2, p. 477).

The report highlighted salient features of the 2007 budget, including the following:

- National revenue grew rapidly thanks, in particular, to improvements in tax collection and administration. Thus, the report recorded the following increases in tax receipts:
  - domestic value added tax (VAT) receipts: up by 21 per cent to 1,547.011 billion yuan

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Table 1: **National and Central Budgetary Estimates (2007 actual) (figures in billion yuan)**

	National Consolidated Budget
Total revenue*	**5,130.403**
change over 2006 (actual)	+ 1,254.383 (+ 32.4%)
change over 2006 (plan)	(+ 16.4%)
Total expenditure	**4,956.54**
change over 2006 (actual)	+ 914.267 (+ 22.6%)
change over 2006 (plan)	(+ 6.6%)
National budget surplus	− **173.863**
	Central Budget
Total revenue	**2,858.949**
change over 2006 (actual)	+ 734.560 (+ 34.6%)
change over 2006 (plan)	(+ 17.1%)
Total expenditure	**2,955.749**
change over 2006 (actual)	+ 606.464 (+ 25.8%)
change over 2006 (plan)	(+ 10.0%)
Central budget deficit	**200.000 ** (0.8% of GDP)**
	Local Budgets
Total revenue	**4,167.749*****
change over 2006 (actual)	+ 987.246 (+ 31.0%)
change over 2006 (plan)	(+ 14.9%)
Total expenditure	**3,897.,086**
change over 2006 (actual)	+ 775.226 (+ 24.8%)
change over 2006 (plan)	(+ 7.4%)
Local budget surplus	+ **270.663**

Note
* Excluding revenue from generation of debt, both here and below – ditto below; also excluding export rebates (61.3 billion yuan).
** Including 103.2 billion yuan ''set aside for the central budget stability and regulation fund for future use.''
*** Including 2,356.504 billion yuan collected by local governments (the rest from central government tax rebates and transfer payments).

- domestic consumption tax receipts: up by 17 per cent to 220.69 billion yuan
- VAT and consumption tax receipts from imports: up by 24 per cent to 615.221 billion yuan
- VAT and consumption tax rebates from exports: up by 15.5 per cent to 563.5 billion yuan
- business tax receipts: up 28.3 per cent to 658.199 billion yuan
- corporate income tax receipts: up by 37.9 per cent to 876.947 billion yuan
- individual income tax receipts: up by 29.8 per cent to 318.554 billion yuan
- stamp tax receipts: up by 500.5 per cent to 227.176 billion yuan
- tariff receipts: up by 25.5 per cent to 143.254 billion yuan
- non-tax revenue: up by 22.8 per cent to 569.104 billion yuan

• Improved macroeconomic regulation through public finance;
• Increased support for the construction of a new socialist countryside;

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Table 2: **Central Budgetary Expenditures, 2007**

	Expenditure (billion yuan)
Education	**107.635**
change over 2006 (actual)	+ 76.0%
change over 2006 (plan)	+ 25.4%
Science and technology	**99.999**
change over 2006 (actual)	+ 26.0%
change over 2006 (plan)	+13.5%
Social security (''social safety net'') and employment	**230.316**
change over 2006 (actual)	+13.7%
change over 2006 (plan)	+14.1%
Medical and health care	**66.431**
change over 2006 (actual)	+ 296.8%
change over 2006 (plan)	+ 212.4%
Environmental protection	**78.21**
change over 2006 (actual)	+ 61.0%
change over 2006 (plan)	+ 64.7%
Agriculture, forestry and water conservancy	**127.449**
change over 2006 (actual)	+ 43.9%
change over 2006 (plan)	+6.2%
Industry, commerce and banking*	**242.916**
change over 2006 (actual)	+ 41.0%
change over 2006 (plan)	+ 27.9%
National defence	**348.277**
change over 2006 (actual)	+ 18.1%
change over 2006 (plan)	+ 0.3%
Provision of general services	**232.301****
change over 2006 (actual)	+ 5.0%
change over 2006 (plan)	+ 0.4%
Tax rebates and fiscal transfer payments to local governments	**1,092.435**
change over 2006 (actual)	+ 21.2%
change over 2006 (plan)	+ 8.1%

Note
* i.e. ''mainly consisting of expenditures for ensuring workplace safety, storing grain, cotton, oil and other important goods and materials, and paying off the debts of policy-supported purchases of grain on credit and the interest on these debts.''
** Including 99.345 billion yuan in interest payments on domestic and foreign debts.

- Greater efforts in support of increased material consumption, and higher welfare and living standards;
- Maintenance of the momentum of fiscal and tax reforms;
- Better financial management and oversight.

Budgetary plans for 2008

The report also sets out budgetary targets for 2008, shown in Table 3. Priority areas of planned investment to be allocated through the central treasury in 2008 are shown in Table 4.

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Table 3: **National and Central Budgetary Estimates* (2008 plan) (figures in billion yuan)**

	National Consolidated Budget
Total revenue*	**5,848.6**
change over 2007	+ 718.197 (+ 14.0%)
Total expenditure	**6,078.6**
change over 2007	+ 1,122.06 (+ 22.6%)
Budget surplus	+ **230.0**
	Central Budget
Total revenue	**3,162.2**
change over 2007	+ 318.9 (+ 14.0%)
Total expenditure	**1,320.52**
change over 2007	(+ 15.4%)
	Local Budget
Total revenue	**2,686.4**
change over 2007	(+ 14.0%)
Total expenditure	**4,758.08**
change over 2007	(+ 24.8%)

Note
* Excluding revenue from generation of debt, both here and below; also excluding export rebates (61.3 billion yuan).

Table 4: **Central Budgetary Investment Allocations (2008 plan)**

Item	Total Investment (billion yuan)	% change over 2007
Education	156.176	+ 45.1
Medical and health care	83.158	+ 25.2
Social security and job creation	276.161	+ 24.2
Science and technology	113.398	+ 26.0
Environmental protection	102.751	+ 31.4
Agriculture, forestry and water conservancy	145.049	+ 17.2
Industry, commerce and banking	337.324	+ 38.9
National defence	409.94	+ 17.7
General public services	265.54	+ 14.3
Tax rebates and fiscal transfer payments to local governments	1,231.781	+ 12.8

Key guidelines underlying the 2008 budget would include:

- continuing to adhere to a ''prudent'' fiscal policy;
- further improving fiscal and tax policies in support of the ''three rural'' issues (*san nong*) – viz. agriculture, rural areas and farmers;
- maximizing support for social programmes, including education, health care and social security;
- increasing support for scientific and technological innovation, energy conservation and emissions reductions;
- further promoting fiscal and tax reforms.

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On 6 March, on behalf of the National Development Reform Commission (NDRC), Ma Kai delivered his report on the implementation of economic and social development plans in 2007 and presented development plans for 2008 (XHNA, 6 March). His remarks on China's economic performance in 2007 echoed the findings of the National Bureau of Statistics' latest "Annual Statistical Communiqué" (see below). As he succinctly put it at the outset of his report:

> [In 2007] the national economy maintained excellent momentum with quite rapid growth, more optimum structure, increased effectiveness, and improvements in people's lives; overall the status of implementation of the plan was good.

His review drew particular attention to the improved *quality* of China's economic growth in 2007 (for example, in terms of making more efficient use of land, water and energy), to progress in the construction of the "socialist new countryside" (*xin nongcun*) – for example, through increased investment in support of agriculture – to further successful economic structural adjustment, to the strengthening of China's independent innovation capacity, and to the intensification of macro reforms and opening up.

The economic and social development targets set out by Ma for 2008 are shown in Table 5.

Table 5: **Economic and Social Targets for 2008**

	Target for 2008	**Target for 2007**
GDP	c. 8%	c. 8%
Energy consumption per unit of GDP	To fall by more than it did in 2007	− 4.0%
Central fiscal deficit	180 billion yuan	245 billion yuan
R&D expenditure as % of GDP	1.6%	1.56%
Consumer price index	+ c. 4.5%	< 3.0%
New urban job creation	10,000,000	9,000,000
Urban unemployment rate	4.5%	⩽ 4.6%
Per capita urban disposable income		+ 6.0%
Per capita rural income	+ 6.0% or more	+ 6.0%
Rural poverty reduction	By 2,000,000 people or more	–
Rate of natural increase	⩽7.0‰	7.5‰

He identified eight "missions and measures" for 2008:

1. improving macro-level regulatory and control policies in the interests of maintaining "steady and quite fast" economic growth;
2. strengthening the fundamental role of agriculture and persisting in the task of constructing a "socialist new countryside";
3. intensifying efforts to promote independent innovation, to rationalize the farming structure and to enhance China's market competitiveness;
4. improving energy conservation and reducing emissions;

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5. putting in place more integrated and co-ordinated *regional* planning policies;
6. deepening "systemic reform" and raising the level of the "open-type economy";
7. striving for the more effective co-ordination of economic and social development;
8. facilitating improvements in living standards in order to promote "social harmony" (see also the report on China's 2007 and 2008 development plans by the 11th NPC Finance and Economics Commission in XHNA, 13 March).

On 8 March the Chairman of the Tenth NPC Standing Committee (Wu Bangguo) delivered a work report to the NPC session (XHNA, 8 March). He noted that 2008 was the first year in which the "strategic arrangements" of the 2007 17th Party Congress could begin to be implemented. He spoke of the NPC Standing Committee's determination that its work should embody the spirit of the Party Congress.

In a review of the work of the NPC Standing Committee during the previous five years, Wu noted that it had examined 106 legislative documents, including draft amendments to the Constitution, draft laws, draft interpretations of laws, and draft decisions on legal issues. Of these 106 pieces of legislation, 100 had been endorsed. By such means, he said, "a socialist legal system with Chinese characteristics … has basically taken shape, … [thereby providing] a strong guarantee in terms of legal system for governing the country according to law, building a law-governed socialist country, and achieving long-term tranquility and stability in the country."

Its supervisory role is an important part of the Standing Committee's remit, and Wu noted that during the last five years its members had examined 41 "special work reports" submitted by the State Council, the Supreme People's Court and the Supreme People's Procuratorate, as well as 15 reports on the implementation of budgets, audits and plans. It had also undertaken 25 law enforcement inspections of the implementation of 22 laws.

On 10 March Xiao Yang (President of the Supreme People's Court) delivered a report on the work of the Supreme People's Court (SPC). Reviewing the SPC's work during 2002–07, he noted that it had handled 20,451 cases of various kinds – almost the same as in the previous five years. The breakdown of such cases was as follows:

- 4,802 criminal cases (leading to 760,000 criminals – 18 per cent of all those sentenced – being imprisoned for five years or more (including life) or receiving the death penalty);
- 3,196 civil cases;
- 1,242 administrative cases;
- 313 state compensation cases;
- 1,038 interregional civil enforcement cases;
- 9,860 cases of complaints and applications for retrial.

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Xiao Yang stressed the importance of "exercising judicial power justly and serving the people wholeheartedly" as a core principle underlying the SPC's work during the previous five years. To this end, progress had been made towards increasing and improving the quality of adjudication to the benefit of greater judicial justice. Judicial efficiency had also been improved, facilitating the timely resolution of disputes. Efforts to extend judicial assistance for litigants had also been intensified, and some 1.27 million people had been exempted from the payment of 5.48 billion yuan in litigation fees.

Meanwhile, the momentum of judicial reform had been maintained. As a result, the "verification and approval system for death punishment" had been improved, as had the civil case retrial and the civil enforcement systems, the "working mechanism of the people's jurors" and the adjudication management system.

Xiao stressed the importance of the "professionalization" through various forms of training, ideological education, support and "self-improvement." He noted that the last five years had seen consistent annual declines in the number of judges investigated and found guilty of disciplinary violations. For example, between 2003 and 2007 the number of those who had "abused the adjudication power and enforcement power to take bribes and bent the law for the benefits of relatives or friends" had fallen by more than 53 per cent from 468 to 218.

NPC delegates debated a draft plan for further institutional restructuring, whereby six so-called "super ministries" would be established, as follows:

- Ministry of Industry and Information
- Ministry of Human Resources and Social Security
- Ministry of Environmental Protection
- Ministry of Housing and Urban-Rural Construction
- Ministry of Transport

State Councillor Hua Jinmin revealed that as part of the institutional restructuring plan, a national energy commission under the jurisdiction of the NDRC would also be set up, as well as an inter-ministerial consultation and co-ordination body. He explained that the proposals were the latest in a series of administrative reforms that had taken place in China during the previous 30 years. He explained that the shift towards larger departments was intended to "organically" integrate and rationalize the functions of existing smaller departments. The consolidated Ministry of Transport would replace the Ministry of Communications and the General Administration of Civil Aviation, while the Ministry of Industry and Information would seek to integrate the relevant functions of the NDRC, the Commission of Science Technology and Industry for National Defence, the Ministry of Information Industry and the State Council Informatization Office. The new Ministry of Human Resources and Social Security would assume the responsibilities of the Ministry of Personnel and the Ministry of Labour and Social Security, and would also embrace a newly established State Bureau of Civil Servants. The

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creation of a Ministry of Environmental Protection explicitly signalled the elevation of the status of the existing State Environmental Protection Administration (SEPA), while the proposed Ministry of Housing and Urban-Rural Construction would replace the Ministry of Construction. Hua also stated that the State Food and Drug Administration would be made part of the Ministry of Health's remit in order to "clarify the health ministry's responsibility in ensuring food and drug safety" (XHNA, 11 March).

Xinhua reported that delegates had re-elected Hu Jintao as President of the People's Republic of China. Xi Jinping was elected as Vice-President of the PRC.

The new line-up of Premier and Vice-Premiers of the State Council was as follows:

- Premier of the State Council: Wen Jiabao
- Vice-Premiers of the State Council: Li Keqiang, Hui Liangyu, Zhang Dejiang and Wang Qishan

The results of elections to the PRC Central Military Commission (CMC) were as follows:

- Chairman of CMC: Hu Jintao
- Vice-Chairmen of CMC: Guo Boxiong and Xu Caihou

The results of elections to NPC Standing Committee (NPCSC) posts were as follows:

- Chairman of NPCSC: Wu Bangguo
- Vice-Chairmen of NPCSC: Wang Zhaoguo, Lu Yongxiang, Uyunqimg, Han Qide, Hua Jianmin, Chen Zhili, Zhou Tienong, Li Jianguo, Ismail Tiliwaldi, Jiang Shusheng, Chen Changzhi, Yan Junqi and Sang Guowei
- Secretary-General of NPCSC: Li Jianguo (concurrent).

Other appointments confirmed by NPC delegates were as follows (see XHNA, 17 March):

- President of the Supreme People's Court of China: Wang Shengjun
- Procurator-General of the Supreme People's Procuratorate: Cao Jianming

State Council ministerial appointments were as follows:

- Minister of Foreign Affairs: Yang Jiechi
- Minister of National Defence: Liang Guanglie
- Minister in charge of the National Development and Reform Commission: Zhang Ping
- Minister of Education: Zhou Ji
- Minister of Science and Technology: Wan Gang
- Minister of Industry and Information: Li Yizhong
- Minister in charge of the State Ethnic Affairs Commission: Yang Jing
- Minister of Public Security: Meng Jianzhu

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- Minister of State Security: Geng Huichang
- Minister of Supervision: Ma Wen
- Minister of Civil Affairs: Li Xueju
- Minister of Justice: Wu Aiying
- Minister of Finance: Xie Xuren
- Minister of Human Resources and Social Security: Yin Weimin
- Minister of Land and Resources: Xu Shaoshi
- Minister of Housing and Urban-Rural Construction: Jiang Weixin
- Minister of Railways: Liu Zhijun
- Minister of Transport: Li Shenglin
- Minister of Water Resources: Chen Lei
- Minister of Agriculture: Sun Zhengcai
- Minister of Environmental Protection: Zhou Shengxian
- Minister of Commerce: Chen Deming
- Minister of Culture: Cai Wu
- Minister of Health: Chen Zhu
- Minister in charge of the State Population and Family Planning Commission: Li Bin
- Governor of the People's Bank of China: Zhou Xiaochuan
- Auditor-General of the National Audit Office: Liu Jiayi

The First Session of the 11th NPC ended on 18 March (see *RMRB*, 18 March).

c *Party and Political Affairs; Ideological Developments*

On 1 January, the CCP's theoretical journal, *Qiushi* (*Seeking Truth*) published excerpts of a speech delivered by Hu Jintao at a seminar earlier in the previous month, entitled "Pushing forward the great undertaking of reform and opening up with continued efforts." He highlighted the importance of the recent (17th) National Party Congress, drawing special attention to its review of China's reform experience since 1979. Thus,

> Successfully summarizing the historical process of reform and opening up as well as the invaluable experiences gained from the process is of extremely great importance to deepening education on the party's basic theories, basic line, basic programme, and basic experiences; to helping the whole party and the people of all ethnic groups … enhance their consciousness and their resolve in upholding the theories, the line, the principles, and the policies adopted since the third plenary session of the 11th CCP Central Committee [December 1978]; and to encouraging the people to strive for new victories … in the comprehensive building of a well-off society, and to opening up with unremitting efforts a new prospect in the cause of socialism with Chinese characteristics.

Hu sought to capture the essence of the goal of reform and opening up, as articulated by the 17th National Party Congress, in the following words:

> Reform aims to liberate and develop social productive forces, bring about modernization to the country, make the Chinese people rich, and rejuvenate the great Chinese nation; it aims to facilitate the self-improvement and the self-development of China's socialist system, inject new vigour and vitality into socialism, and build up and develop socialism with Chinese characteristics; and it aims to strengthen and improve the Party building during the process of leading present-day China to develop and progress, maintain and

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promote the advanced nature of the Party, and ensure that the Party always marches at the head of the times.

He was at pains to stress that China's reforms did not seek to change its socialist system. He argued that the success of post-1978 reforms owed everything to the determination to "unswervingly" uphold the leadership of the CCP and the socialist canon. Indeed, Hu was unequivocal in his insistence that the ideological – i.e. socialist – basis of reform must be maintained:

> Reform and opening up … is the only way for developing socialism with Chinese characteristics and realizing the great rejuvenation of the Chinese nation; only socialism can redeem China, and only reform and opening up can develop China, develop socialism, and develop Marxism …

The quasi-symbiotic relationship between reform and socialist ideology emerged in Hu's enunciation of the "ten combines," which sought to capture the twin processes of economic-cum-social progress (on the one hand) and ideological building (on the other) embodied in China's developmental experience since the end of the 1970s. These "ten combines" are listed below:

1. combining the need to uphold the basic principles of Marxism with that of promoting the "Sinicization" of Marxism;
2. combining the need to adhere to the Four Cardinal Principles with that of maintaining the momentum of reform and opening up;
3. combining the need to encourage the "pioneering initiative" of the general populace with that of strengthening Party leadership;
4. combining the need to adhere to the basic system of socialism with that of promoting market-orientated development;
5. combining the need to restructure China's economic foundation with that of reforming the political "superstructure";
6. combining the need to develop the productive forces with that of enhancing the country's "cultural and ethical quality";
7. combining the need to raise efficiency with that of promoting social equity and social harmony;
8. combining the need to pursue independent development with that of strengthening China's role in the process of economic globalization;
9. combining the need to promote reform and development with that of maintaining social stability;
10. combining the need to advance the "great cause of socialism with Chinese characteristics" with that of promoting the "new and great undertaking of … party building."

On 25 February, the 17th Central Committee of the Chinese Communist Party (CCPCC) opened its second plenary session. The main theme of the meeting was the restructuring of government departments and the listing of candidates for state leadership posts in advance of the first session of the Fourth NPC. To the former end, members discussed a draft "opinion" on administrative reform and a draft plan on the restructuring of central departments under the State Council.

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As General Secretary of the CCPCC, Hu Jintao addressed the closing session of the plenum.

A communiqué issued after the plenary session had ended stressed the need for improvements in the political system in order to accommodate challenges arising out of China's social and economic development, as well as to enhance the protection of its "democratic rights and social fairness and justice." Accordingly,

> To adhere to and improve the people's congress system and the multiparty co-operation and political consultation system under the leadership of the CCP is in line with the requirement of consolidating the socialist regime and patriotic united front, and is a key task of developing socialist democracy (XHNA, 27 Feb.).

On 29 February the CCPCC held a forum to mark the 110th anniversary of the birth of Zhou Enlai. Hu Jintao described Zhou as "a great Marxist; a great revolutionary, statesman, strategist and diplomat of the proletariat." He highlighted Zhou's unfailing commitment and loyalty to the CCP and the Chinese people. He urged others to learn from Zhou's spirit of public service and efforts on behalf of Party unity. Hu's remarks were echoed in another speech by Wen Jiabao, who also called on Party members and the Chinese people to copy Zhou's "revolutionary spirit, thinking and fine style of work" (XHNA, 29 Feb.).

d *Violent protests in Tibet, Gansu and Sichuan*

On 14 March, Kyodo quoted Radio Free Asia to the effect that two Tibetan monks had attempted suicide as part of a series of protests against Chinese rule. A Tibetan regional government spokesman claimed to have no knowledge of protests, nor of any "security crackdown" by Chinese forces, and suggested that the reports were "fabrications released by the Dalai Lama's supporters overseas." The extent of any official Chinese admission of problems in the region was a statement that two protests had taken place in Lhasa on 10 March – the anniversary of the 1959 uprising against Chinese rule and of the Dalai Lama's escape into exile.

However, also on 14 March, Xinhua acknowledged that shops had been set on fire and vehicles burned in violent demonstrations in the Tibetan capital. Anecdotal evidence from journalists and tourists confirmed the outbreak of violence and "pro-independence" protests, and one report suggested that rioters had taken control of the centre of Lhasa (Kyodo, 14 March, which also reported the Dalai Lama's concern at unfolding events).

Subsequently, a Tibetan government official was reported as saying that the "separatist sabotage" in Lhasa had been "organized, premeditated and masterminded" by the "Dalai clique". He added that "[t]he violence, involving beating, smashing, looting and burning, [had] disrupted the public order and jeopardized people's lives and property." The same source stated that police had been "forced to use a limited amount of tear gas and [had] fired warning shots to disperse the desperate crowds." It revealed that seven people – later raised to ten and then 13 – had been killed in the riots (XHNA, 15 March). On 16 March, Lhasa was said to have returned to "calm" (XHNA, 16 March).

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Meanwhile, on 15 March, the Tibetan Superior People's Court, People's Procuratorate and Public Security Office issued "Notice No.1," which urged the "criminal elements who had organized, planned or taken part in fighting, wrecking, looting and burning" to cease their "criminal activities and surrender." It also called on members of the general public to help uncover the "criminal elements" (XHNA, 15 March).

The 'Notice' gave the official account of the events of 14 March:

> the violent incidents in the Lhasa area were painstakingly planned by the Dalai Lama clique in an attempt to separate Tibet from the motherland. The incidents were a political plot to sabotage the stable, harmonious, and normal lives and production of the people of all nationalities in Tibet. On 14 March a number of illegal elements in Lhasa resorted to the violent acts of fighting, wrecking, looting and burning in an organized and premeditated manner, burning schools, hospitals, activity centres for young children, shops, and residences. Party and government organs, enterprises and institutions were hit by the violence. Vehicles were set on fire, stores were looted, and innocent people were killed. Law enforcement personnel were surrounded and beaten.

It gave an undertaking that those who surrendered voluntarily would receive shortened sentences or even, if they revealed the names of their accomplices, be exempted from punishment altogether. Those who failed to surrender would, however, be dealt with "severely," as would those who assisted "criminal elements" by hiding them. By contrast, informers would not only be protected, but would be "commended and rewarded" (see also XHNA, 17 March, for comments on the rioting by Qiangba Puncog, the Chairman of the Tibetan Regional Government).

Events in Lhasa elicited widespread verbal and other protests in many countries. In Munich, Tibetans burned a Chinese flag at the Chinese General Consulate and painted slogans such as "Save Tibet" (Berlin, DDP News Agency, 17 March), while in New Delhi Tibetan protestors were reported to have stormed the Chinese Embassy (Press Trust of India, 21 March). In Beijing itself, a group of Tibetan students staged a "candlelit vigil" at the Central University for Nationalities (XHNA, 17 March).

Addressing a press conference following the end of the 11th NPC session, Wen Jiabao denied claims that the Chinese government was engaged in "cultural genocide" in Tibet. On the contrary, said Wen, "[s]ince the peaceful liberation and especially the democratic reform, Tibet has moved forward and become more developed." He added that China remained willing to engage in talks with the Dalai Lama on condition that he "gives up the position of 'Tibet Independence' [and] recognizes Tibet and Taiwan as inalienable parts of the Chinese territory" (XHNA, 18 March).

On 19 March, a Xinhua report stated that incidents of "beating, smashing, looting, and burning" had recently occurred in Gannan Tibetan Autonomous Prefecture (Gansu Province). Party and government offices and schools were said to have been "stormed," resulting in serious losses to public and private property. According to Mao Shengwu (Acting Governor of Gannan), the

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violence was designed to disrupt social order and had been instigated by "'Tibet independence' separatist forces inside and outside China." Similar incidents were reported from the Aba Tibet-Qiang Autonomous Prefecture in Sichuan Province (XHNA, 19 March).

e *Statistical Communiqué on National Economic and Social Development during 2007*

[**Note:** The figures showing percentage changes in production over 2006 are taken verbatim from the National Bureau of Statistics [NBS] communiqué. They do not always coincide with the estimates that would be obtained from a comparison of the 2007 estimates with those for 2006 given in "Quarterly Chronicle" in *CQ*, No.190 (June 2007), pp. 528–38.
Data in square brackets show percentage increases in 2006 over 2005 and are included for comparative purposes.]

The latest statistical communiqué was issued by National Bureau of Statistics (NBS) on 28 February (www.stats.gov.cn/english/newsandcomingevents/t20080228_402465066.htm). As in 2007, the brief introductory remarks highlighted the role of the "scientific approach" in guiding China's social and economic development within the framework provided by "Deng Xiaoping Theory and the important thought of 'Three Represents'."

The main features of China's economic performance in 2007 are summarized below.

Overview

Preliminary estimates indicated that in 2007, GDP rose by 11.4 [10.7] per cent in terms of comparable prices to reach 24,661.9 billion yuan. All three major sectors shared in this performance, although as in previous recent years, industrial value-added growth (13.4 [12.5] per cent) outstripped the growth of agricultural (3.7 [5.2] per cent) and tertiary (11.4 [10.3] per cent) sectors. Sectoral shares of GDP were 11.7 [11.8] per cent (primary), 49.2 [48.7] per cent (secondary) and 39.1 [39.5] per cent (tertiary). Quarterly GDP growth accelerated from 11.1 to 11.9 per cent between Q1 and Q2, but subsequently slowed to 11.5 per cent (Q3) and 11.2 per cent (Q4).

Agriculture

2007 saw a further expansion of the grain sown area by 0.7 million hectares to 105.53 million ha.; there was a small increase in the area under sugar crops (by 0.1 million ha.), although the areas under cotton and oil-bearing crops declined slightly (by 0.07 and 0.6 million ha., respectively).

The output of major farm crops is shown in Table 6.

Total meat output fell by 3.5 [+ 4.6] per cent to 68 [81] million tons, of which the output of pork declined by 9.2 [+ 4.3], while that of beef and mutton rose by 6.1 [5.3] and 5.8 [7.8] per cent, respectively. Total output of aquatic products was 47.37 million tons (3.3 per cent more than in 2006). Timber production increased by 5.5 [40.3] per cent to 69.74 million cubic metres.

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Table 6: **Output of Major Farm Products, 2007**

	Total output (million tons)	% change over 2006 [2005]
All food grains	501.50	0.7 [2.8]
Oil-bearing crops	24.61	− 4.2 [− 0.5]
Cotton	7.60	1.3 [17.8]
Sugar crops	111.10	11.4 [16.2]
Cured tobacco	2.39	− 3.9 [1.3]
Tea	1.14	10.9 [9.0]

Effective irrigation was extended to an additional 1.07 [1.08] million ha. of arable land, in addition to which an extra 1.36 [1.28] million ha. were brought under the protection of guaranteed water-saving irrigation facilities.

Industry

Industrial value-added grew by 13.5 [12.5] per cent in 2007. Further details are given in Table 7.

Table 7: **Rate of Growth of Industrial Value-added, 2007**

	% change over 2006 [2005]
Industrial enterprises above designated size*	18.5 [16.6]
State-owned and state-controlled enterprises	13.8 [12.6]
Collective enterprises	11.5 [11.6]
Share-holding enterprises	20.6 [17.8]
Enterprises invested by foreigners or investors from Hong Kong, Macau and Taiwan	17.5 [16.9]
Private enterprises	26.7 [24.4]
Light industry	16.3 [13.8]
Heavy industry	19.6 [17.9]

Note

* i.e. all state-owned enterprises and those non-state-owned enterprises with an annual sales income over 5 million yuan.

The outputs of important industrial products are shown in Table 8.

As the following figures show, industrial profitability continued to improve in 2007. The overall rate of increase in profits in enterprises of above-designated size was 36.7 per cent (January–November only). Concealed in this figure were the following rises in profitability by different enterprise ownership category during the same period:

- SOEs + 29.6 [27.0] per cent
- collective enterprises + 25.2 [29.5] per cent
- share-holding enterprises + 35.1 [32.3] per cent
- private enterprises + 50.9 [43.6] per cent
- foreign (incl. Hong Kong, Macau & Taiwan invested enterprises) + 34.3 [26.7] per cent

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Table 8: **Output of Major Industrial Products**

	Total output	% change over 2006 [2005]
Light Industry		
Yarn	20.00 m. tons	14.7 [20.0]
Cloth	66,000 m. metres	10.3 [13.5]
Chemical fibres	23.90 m. tons	15.3 [21.7]
Sugar	12.71 m. tons	34.0 [4.0]
Cigarettes	2,141.4 b. units	5.9 [4.3]
Colour TV sets	84.33 m. units	0.7 [1.1]
Household refrigerators	43.97 m. units	24.5 [18.2]
Room air conditioners	80.14 m. units	17.0 [1.3]
Mobile telephones	548.58 m. units	14.3 [58.2]
Micro-computers	120.73 m. units	29.3 [15.5]
Integrated circuits	41.16 b. units	22.6 [12.9]
Programme-controlled switchboards	53.87 m. lines	−27.2 [− 4.1]
Heavy Industry		
Total energy production (standard coal equivalent)	2.37 b. tons	7.0 [7.3]
Coal	2.54 b. tons	6.9 [8.0]
Crude oil	187.00 m. tons	1.1 [1.7]
Electricity	327.77 b. kWh	14.4 [13.4]
Steel	489.66 m. tons	16.8 [19.7]
Rolled steel	568.94 m. tons	21.3 [25.3]
Non-ferrous metals	23.58 m. tons	22.7 [17.2]
Cement	1,360.00	9.9 [15.5]
Ethylene	10.48 m. tons	11.4 [24.5]
Chemical fertilizers (100 per cent equivalent)	57.87 m. tons	8.3 [8.0]
Power-generating equipment	129.91 m. kWs	11.1 [19.6]
Motor vehicles	8.87	22.6 [27.6]
of which, cars	4.80 m. units	24.0 [39.7]
Large and medium tractors	203,000 units	1.9 [22.0]

The construction industry grew by 12.6 [12.4] per cent, and construction enterprises generated profits of 147 billion yuan (23.2 [18.1] per cent above the 2006 level).

Fixed investment

In 2007 the rate of expansion of fixed asset investment reversed the trend of recent previous years and registered slightly accelerated growth (from 24 to 24.8 per cent). Relevant disaggregated data are shown in Table 9.

Urban investment in the primary sector rose by 31.1 [30.7] per cent in 2007; the corresponding figures for urban secondary and tertiary fixed investment were 29.0 [25.9] per cent, and 23.2 [23.3] per cent. Regional levels and rates of fixed investment in 2007 were as follows:

- eastern regions: 7,231.4 billion yuan (up 19.9 [19.3] per cent)
- central regions: 3,428.3 billion yuan (up 33.3 [30.6] per cent)
- western regions: 2,819.4 billion yuan (up 28.2 [36.2] per cent)

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Table 9: **Fixed Investment Growth by Sector and Region**

	Value (billion yuan)	% change over 2006 [2005]
Investment in fixed assets, of which:	13,723.9	24.8 [24.0]
Urban fixed investment	11,741.4	25.8 [24.5]
Rural fixed investment	1,982.5	19.2 [21.3]

Table 10 summarizes the net impact of capital construction investment on production capacity in 2007.

Table 10: **New Increases in the Production Capacity of Selected Industries, 2007**

Newly increased power generating capacity	100.9 [101.17] m. kw.
Power transformer equipment with a capacity of over 220 kilovolts	188.48 [0.155.31] kilovolt-amperes
New trunk railways put into operation	678 [1,605] km.
Double-track railways put into operation	480 [705] km.
Electrified railways put into operation	938 [3,960] km.
New highways	143,595 [93,720] km.
of which, expressways	8,059 [4,325] km.
Newly increased cargo-handling capacity of 10000-ton berths at harbours	439.16 [457.26] m. tons
Newly installed capacity of telephone switchboards	8,36 [30,67] m. lines
Newly installed length of optical-fibre cables	1.46 [0.19] m. km.
Newly installed capacity of digital cellular mobile phone switchboards	242.84 [128.18] m. subscribers

Transport and telecommunications

There was continued growth in both passenger and freight transport in 2007, as shown in Table 11.

The turnover of post and telecommunication services increased by 26.4 [25.6] per cent. The total number of fixed-line subscribers reached 365.45 million [367.81] – 248.59 million in cities, and 116.86 million in rural areas. There were 86.23 [67.68] million new mobile phone subscribers, taking the total number of users to 547.29 [461.08] million at the end of 2007. Thus, the total number of telephone users reached 912.73 [828.89] million; on average, telephone coverage reached 69 [63] for every 100 members of the Chinese population. The number of Internet users rose to 210 million and broadband users reached 163 million.

China received 131.87 million international visitors in 2007 – 5.5 [3.9] per cent more than in 2006. Of these, 26.11 [22.21] million were "foreigners" (a rise of 17.6 [9.7] per cent); and 105.76 [102.73] million were "Chinese compatriots" from Hong Kong, Macau and Taiwan (up 2.9 [2.7] per cent). Foreign exchange earnings from international tourism exceeded US$41.9 billion, or 23.5 [15.9] per

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Table 11: **Passenger and Freight Traffic, 2007**

	Volume	% change over 2006 [2005]
Total freight turnover	9,918.05 b. ton/km.	11.8 [8.7]
railways	2,379.70 b. ton/km.	8.4 [5.9]
roads	11,257.60 b. ton/km.	15.4 [11.0]
waterways	6,218.22 b. ton/km.	12.1 [8.5]
civil aviation	11.64 b. ton/km.	23.5 [19.5]
pipelines	182.73 b. ton/km.	27.4 [29.5]
Total passenger traffic	2,153.03 b. passenger/km.	12.2 [9.9]
railways	721.63 b. passenger/km.	9.0 [9.2]
roads	1,144.50 b. passenger/km.	13.0 [9.1]
waterways	7.73 b. passenger/km.	5.0 [10.5]
civil aviation	279.17 b. passenger/km.	17.8 [15.9]
Volume of cargo handled at coastal ports	5.21 b. tons	13.4 [15.6]
(of which, cargo for foreign trade)	1.78 b. tons	12.6 [16.8]

cent above the level of 2006. Some 40.95 [34.52] million Chinese made overseas visits, of whom 34.92 [28.8] million undertook private visits (up 21.3 [14.6] per cent). Revenue from domestic tourism was 777.1 billion yuan (a rise of 24.7 [17.9] per cent).

Domestic trade

In 2007, real growth in the value of retail sales of consumer goods was 16.8 [13.7] per cent to reach 8,921 billion yuan (up by 17.2 [14.3] per cent in cities, and 15.8 [12.6] per cent in rural areas). More disaggregated estimates of sales growth are shown below (all figures in percentages):

Wholesale and retail industry	16.7 [13.7]
- motor vehicles	36.9 [26.3]
- oil and grain	38.3 [36.2]
- meat and eggs	40.9
- "cultural" and office goods	22.6 [14.5]
- telecommunications equipment	8.8 [22.0]
- household electrical and electronic equipment and audio-video-equipment	23.4 [19.2]
- building and decorating materials	43.6 [24.0]
- daily necessities	26.5 [15.7]
- furniture	43.2 [21.3]
- clothing	28.7 [19.2]
- cosmetics	26.3 [18.6]
- gold, silver and jewellery	41.7 [28.5]
Accommodation and catering industry	19.4 [16.4]
Other industries	4.5 [2.3]

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Price inflation accelerated quite markedly in 2007. The general consumer price index rose by 4.8 [1.5] per cent. Commodity retail prices increased by 3.8 [1.0] per cent; manufactured goods producer prices, by 3.1 [3.0] per cent; and purchase prices for raw materials, fuels and power by 4.4 [6.0] per cent. Most dramatic of all was the increase in farm products producer prices – up 18.5 per cent, compared with only 1.2 per cent during the previous year. The rise in sales prices for housing in 70 large and medium cities also accelerated from 5.5 to 7.6 per cent.

Consumer price changes for specific goods or categories of goods in 2007 are shown in Table 12.

Table 12: **Change in the Consumer Prices of Selected Goods, 2007 [2006] (%)**

Item	National average	Urban	Rural
General level of consumer prices	4.8 [1.5]	4.5 [1.5]	5.4 [1.5]
Food	12.3 [2.3]	11.7 [2.5]	13.6 [2.1]
of which,			
- grain	6.3 [2.7]	6.4 [2.7]	6.2 [2.9]
- oil	26.7	25.5	28.3
- meat, poultry and related	31.7	31.6	31.8
- fresh eggs	22.9	23.0	22.8
- fresh vegetables	7.3	6.6	9.4
- fresh fruit	0.1	− 0.2	1.0
Tobacco and alcohol	1.7 [0.6]	1.8 [0.8]	1.6 [0.3]
Clothing	− 0.6 [− 0.6]	− 0.9 [− 0.6]	0.2 [− 0.4]
Household appliances and services	1.9 [1.2]	1.9 [1.3]	2.1 [1.0]
Medical, health and personal articles	2.1 [1.1]	1.7 [0.9]	2.8 [0.5]
Transport and telecommunications	− 0.9 [−0.1]	− 1.6 [−0.7]	0.6 [1.3]
Recreational, educational, cultural articles and services	− 1.0 [−0.5]	− 0.7 [0.0]	− 1.6 [− 1.4]
Housing	4.5 [4.6]	4.5 [4.7]	4.5 [4.6]

Foreign trade and external relations

The remarkable momentum of recent foreign trade growth was maintained in 2007 (see Table 13). The combined value of exports and imports rose by 23.5 [23.8] per cent to reach US$2,173.8 billion. The value of China's exports was US$1,218 billion (up by 25.7 [27.2] per cent), while imports increased by 20.8 [20] per cent to US$955.8 billion. Foreign-funded enterprises generated exports worth US$695.5 billion (up by 23.4 [26.9] per cent); the value of their imports rose by 18.4 [22] per cent to US$559.4 billion. Overall, China enjoyed a merchandise trade surplus of US$262.2 billion, or US$84.7 billion more than in the previous year.

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Table 13: **Levels of and Changes in Imports and Exports, 2007**

	Value (US$ billion)	% increase over 2006 [2005]
Total exports	1,218.0	25.7 [27.2]
general trade	538.6	29.4 [32.1]
processing trade	617.7	21.0 [22.5]
Exports of		
mechanical and electronic products	701.2	27.6 [28.8]
high and new-tech products	347.8	23.6 [29.0]
Total imports	955.8	20.8 [19.1]
general trade	428.6	28.7 [19.1]
processing trade	368.4	14.6 [17.3]
Imports of		
mechanical and electrical products	499.0	16.7 [22.1]
high and new-tech products	287.0	16.0 [25.1]
Trade surplus	262.2	47.7
general trade	109.9	32.2
processing trade	249.3	32.0
other trade	− 97.0	2.6

A geographical breakdown of China's exports is shown in Table 14.

Table 14: **The Direction of China's Foreign Trade, 2007**

	Exports		Imports	
	Value (US$ billion)	Increase over 2006 (%)	Value (US$ billion)	Increase over 2006 (%)
Hong Kong SAR	184.4	18.8 [24.8]	12.8	18.9 [− 11.8]
Japan	102.1	11.4 [9.1]	134.0	15.8 [15.2]
South Korea	56.1	26.1 [26.2]	103.8	15.6 [23.4]
ASEAN	94.2	32.1 [28.8]	108.4	16.9 [16.9]
European Union	245.2	29.2 [34.1]	111.0	22.4 [19.4]
Russia	28.5	79.9 [19.8]	19.7	12.1 [10.5]
United States	223.7	14.4 [24.9]	69.4	17.2 [21.8]
India	24.0	64.7	14.6	42.4
Taiwan	23.5	13.1 [25.3]	101.0	16.0 [10.5]

Inflows of utilized foreign direct investment (FDI) increased by 13.6 [− 4.1] per cent to reach US$74.8 billion. The NBS Communiqué provides a detailed breakdown of FDI inflows by sectoral and industrial destinations.

At the end of 2007, China's foreign exchange reserves totalled US$1,528.2 billion – US$461.9 billion more than a year earlier. During the same period, the exchange rate showed a 6.9 per cent appreciation to 7.3046 RMB to US$1.

Banking and insurance

The NBS Communiqué noted that at the end of 2007, savings deposits lodged in all kinds of financial institutions totalled 40,105.1 [34,806.5] billion yuan

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(16 [15.2] per cent higher than at the end of 2006). Savings by enterprises reached 14,481.4 billion yuan – a rise of 21.8 [16.8] per cent. Savings by urban and rural residents totalled 17,621.3 billion yuan (up 5.8 [13.3] per cent).

The volume of cash in circulation (M_0) rose by 12.2 [16.9] per cent; the corresponding figures for narrow (M_1) and broad (M_2) money were 21.1 [17.5] per cent, and 16.7 [16.9] per cent.

Welfare, living standards and employment

Per capita cash disposable income of urban residents reached 13,786 [11,759] yuan in 2007 [2006] (a real rise of 12.2 [10.4] per cent over that of the previous year). Rural residents' average per capita net income was 4,140 [3,587] yuan: this represented a real increase of 9.5 [7.4] per cent. The urban and rural Engel coefficients were 36.3 and 43.1 per cent, respectively. The number of rural residents below the poverty line was 14.79 million – a reduction of 6.69 million compared with the previous year; the "low-income" rural population – those with an average annual per capita net income between 786 and 1,067 yuan – also fell (by 7.09 million) to 28.41 million.

There were also improvements in both urban and rural social security provision. By the end of 2007, 201.07 [186.49] million people (151.56 [140.28] million employees and 49.51 [46.21] million retirees) were enrolled in basic pension programmes. Some 116.45 [111.87] million urban residents had joined unemployment insurance schemes, while 220.51 [157.37] million were covered by basic health insurance (including 31.31 million migrant workers – 7.64 million more than in 2006. Work accident insurance was provided for 121.55 million people, including 39.66 million migrant workers. 77.55 [64.46] million were enrolled in maternity insurance programmes. The number of people who received unemployment insurance payments fell from 3.27 to 2.86 million. Finally, 22.71 [22.41] million urban residents were in receipt of minimum income relief from the government, while the corresponding figure for rural residents was 34.52 million (19.43 million more than in 2006).

Total employment in 2007 was 769.9 million (5.9 million more than in 2006). The net increase in urban employment was 10.4 [9.79] million, and total urban employment was 293.50 million − 12.04 million above the level of the previous year. The official rate of registered urban unemployment was 4.0 per cent − 0.1 per cent below that of 2006.

Population

China's total population at the end of 2006 was 1,321.29 [1,314.48] million. Of this total, urban residents numbered 593.79 [577.06] million (44.9 [43.9] per cent of the total; rural residents totalled 727.5 [737.42] million, or 55.1 [56.1] per cent of the total. Vital rates for 2007 are shown in Table 15; the sex ratio and age structure of China's population are shown in Table 16.

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Table 15: **Vital Population Rates, 2007 [2006]**

	Rate per thousand
Birth rate	12.10 [12.09]
Death rate	6.93 [6.81]
Rate of natural increase	5.17 [5.28]

Table 16: **Sex Ratio and Age Structure of China's Population, 2007**

	Population at year end (million)	Percentage [2006]
National total	1,321.29	100.0
Male	680.48	51.5
Female	640.81	48.5
0–14 years	256.60	19.4 [19.8]
15–59 years	911.29	69.0 [68.9*]
60 years and above	153.40	11.6
of which, 65 and over	106.36	8.1 [7.9]

Note
* 15–64 years.

Resources and Environment

There was a net reduction of 40,700 ha. of arable land in 2007. Concealed in this figure was the use of 188,300 ha. of farm land for construction, the destruction of 17,900 ha. as a result of "disasters," the conversion of 25,400 ha. to land for "ecological preservation" and the loss of 4,900 ha. as a result of structural adjustments within agriculture. To help offset such losses, land reclamation and re-development programmes added 195,800 ha. of arable land.

For the second year running, per capita availability of water declined in 2006 to 1,876 [1,945] cubic meters. At the end of 2007, water storage in China's large reservoirs was 186.9 billion cu. m. – 5.2 billion cu. m. more than a year previously. Total water consumption declined by 0.6 [+ 0.7] per cent to 576 billion cu. m. Of this, consumption for living purposes increased by 1.6 [0.7] per cent; for industrial use, by 2.7 [1.9] per cent; but water consumption for farm use *fell* by 2.2 [+ 0.2] per cent. Per capita water consumption averaged 437 cu. m. – only marginally higher than in 2006. Water consumption per 10,000 yuan of GDP and per 10,000 yuan of industrial value-added declined by 10.8 [− 8.8] and 9.5 [− 9.0] per cent, respectively.

Based on monitoring of 408 sections of China's seven major water systems, 50 [46] per cent satisfied the national quality standard of Grade III for surface water; 26.5 [28] per cent met the norm for Grade IV or V; and 23.5 [26] per cent were below Grade V. There was a deterioration in the quality of oceanic water, and 145,000 [149,000] sq. km. of seawater failed to meet the quality standard of clean seawater. Of this, 29,000 sq. km. were described as being seriously polluted – the same as in 2005 and 2006.

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Natural disasters again posed a serious economic threat. Direct economic losses occasioned by disasters totalled 236.3 billion yuan − 6.5 per cent less than in 2006 – and affected over 48.99 [41] million hectares of crops. Man-made disasters in 2007 continued to exact a heavy toll, although the number of traffic accidents – 327,000 – for the third year running showed a significant decline. Some 82,000 people were killed, and 380,000 injured, in such accidents which caused direct property losses estimated at 1.2 [1.49] billion yuan. The number of work accidents in mining, industrial and commercial enterprises meanwhile fell by 8.4 per cent.

Newly discovered mineral resources included 1,210 million tons of crude oil, 697.4 billion cu. m. of natural gas, and 40,620 million tons of coal.

The preliminary 2007 estimates of energy consumption provided by the NBS communiqué are shown in Table 17.

Table 17: **Consumption of Energy, 2007**

	Consumption	**Increase over 2006 [2005] (%)**
Total energy	2,650.00 million tons (SCE)	7.8 [9.3]
Coal	2,580 million tons	7.9 [9.6]
Crude oil	340 million tons	6.3 [7.1]
Natural gas	67.3 billion cu. m.	19.9 [19.9]
Electric power	3,263.2 billion kWh	5.0

f *Social and Legal Affairs*

During the second half of January and first half of February, severe snow and ice were the source of severe social and economic dislocation in the southern half of China. As of 13 February, severe weather conditions had been the cause of the deaths of 107 people, with eight others still missing. Subsequently, the death toll rose to 129. Direct economic losses were estimated at 111.1 billion yuan.

The extreme weather caused the evacuation of some 1.5 million people in 21 provinces (the worst hit were Hunan, Guizhou, Jiangxi, Anhui, Hubei, Zhejiang, Sichuan and Guangxi). Almost 24.4 million hectares of arable land were affected, and 354,000 houses were destroyed.

The snow was described as the worst in five decades – in some areas, the worst in a century. It precipitated structural collapse, power blackouts, accidents, transport problems and the loss of livestock and crops in many eastern, central and southern regions for about a month.

In the face of the disaster, the Ministries of Civil Affairs and Finance allocated 535 million yuan in emergency funding to 19 affected provinces. A further 710 million yuan had been earmarked as temporary subsidies to assist needy urban and rural residents in seven of the worst-hit provinces and regions. As of 11 February, some 6.43 million soldiers and officers had been dispatched to disaster areas to support reconstruction work (XHNA, 13 Feb. and passim).

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A survey by the Ministry of Health and the National Committee for the Patriotic Public Health Campaign revealed that 44.36 per cent of drinking water – 40.44 per cent on surface water and 45.94 per cent of ground water – in rural areas was unhealthy and failed to meet government standards. Drinking the unsterilized infected water was responsible for outbreaks of diarrhoea and other diseases.

It was reported that in 2007, 93,084 people in Hubei province (including 1,678 officials or CCP members) were discovered to have violated the one-child policy. Around 500 of these were subsequently deprived of Party membership. The Director of the Hubei family planning commission acknowledged that increasing numbers of CCP members, rich people and "celebrities" had violated official population policies in recent years, to the detriment of "social equality." Indeed, a national survey revealed that most wealthy and famous people had more than one child – and 10 per cent of them had at least three children (XHNA, 7 Jan; see also XHNA, 21 Jan. for details of fines for celebrities' violations of the one-child rule imposed in Beijing).

A report issued by the Ministry of Health noted that average life expectancy in China had risen from 71.4 to 73 years between 2000 and 2005. Between 2003 and 2005, there had been a significant decline in the infant mortality rate – from 25.5 to 15.3 per thousand babies. Meanwhile, health spending had also increased, reaching 4.82 per cent of GDP in 2007 (781 yuan per head of total population). However, the rise in spending was partly attributable to increases in medical and hospital fees.

As of September 2007, some 730 million farmers in 2,448 counties were enrolled in the rural co-operative medical scheme, set up in 2003 in order to provide basic health care to farmers. Under the scheme, individuals were required to pay a fee of 10 yuan p.a., compared with a contribution of 40 yuan from central and local (provincial, municipal and county) governments. The expectation was that by the end of 2008, all rural residents would be covered by the scheme (XHNA, 7 Jan.).

A later Xinhua report noted that between 2006 and 2007, the number of people covered by basic medical insurance had risen from 157 million to 221 million. The same source revealed that some 201 million people enjoyed pension coverage, which provided a monthly payout of 963 yuan (in 2005 the corresponding figure was 693 yuan). The government was committed to increasing monthly pension payments by 100 yuan during the next three years (XHNA, 22 Jan.).

According to the Ministry of Civil Affairs, welfare spending in China had risen by 34.6 per cent in 2007 to reach a record 106 billion yuan (almost US$15 billion). Almost a fifth of this funding had come from lottery revenues; in particular, Welfare Lottery sales increased by 25.1 per cent to 63 billion yuan in 2007. Lotteries have existed in China since 1987 and their rules dictate that 35 per cent of all revenue must be used for welfare purposes.

Of total welfare spending, over 27 billion yuan were disbursed as guaranteed subsistence allowances for needy urban people (a rise of 23.7 per cent), while 10

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billion yuan – 150 per cent more than in 2006 – went to needy rural households. A further 19 billion yuan were used to assist families affected by accidents or natural disasters, and a further 1.25 and 2.35 billion yuan were allocated to urban and rural households as healthcare assistance fees (XHNA, 24 Jan.).

A survey of 30,000 migrant workers in major Chinese cities undertaken by Fudan University (Shanghai) revealed that a mere 7.6 per cent were satisfied with their "social status," while 68 per cent felt that urban residents accepted them only partially or not at all. Another important finding of the survey was the common tendency towards overtime work: over 80 per cent of the migrants reported working for more than eight hours a day, and 18 per cent worked for ten hours or more. A mere 16.4 per cent had more than five days off work monthly, while for 55 per cent the figure was less than two days. Such intensity of work led to frequent accidents, and provided little time or opportunity for studying. Although migrants' average monthly wage had risen by 20 per cent to reach 1,200 yuan in 2007, almost a quarter of them were still unable to save (XHNA, 13 Jan.).

The State Administration of Work Safety reported that 98,340 people had lost their lives in more than 500,000 work accidents in 2007. The number of deaths was 19.5 per cent fewer than in 2006, while the number of accidents had fallen by 12.9 per cent. In particular, the number of accidents in mining declined by 19.7 per cent, and fatalities in the same industry fell by 20.6 per cent to 3,770 (XHNA, 2 Jan.).

In 2007, 81,649 people were killed on Chinese roads – 7,806 fewer than in 2006. Concealed in the 2008 figure was an average of 5.1 road accident deaths for every 10,000 motor vehicles – the highest in the world (the global average is two per 1,000 vehicles).

On 28 February, the State Council's Information Office issued a White Paper, entitled "China's Efforts and Achievements in Promoting the Rule of Law" (full text in XHNA, 28 Feb.). The following is the list of contents of the document:

Foreword
I. Historical Course of Building a Socialist Country under the Rule of Law
II. Legislation and Legal System with Chinese Characteristics
III. Legal Systems of Respecting and Safeguarding Human Rights
IV. Legal Systems Regulating the Order of the Market Economy
V. Administration by Law and Building a Government under the Rule of Law
VI. Judicial System and Fair Administration of Justice
VII. Popularization and Education of the Law
VIII. International Exchange and Co-operation in Legal Construction
Conclusion
Appendix
List of Current Effective Laws of the People's Republic of China

g *Economic Affairs*

In its latest "China Quarterly Update," the World Bank's projection of China's GDP growth in 2008 was reduced by 1.2 per cent to 9.6 per cent. The report's reference to "robust" growth prospects was qualified by a recognition of

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significant macroeconomic policy challenges (including those associated with building inflationary pressures).

The People's Bank of China's monetary policy report for October–December 2007 warned that price levels would remain high during the first half of 2008, bringing an "increasing" risk of inflation. It attributed the pressure on prices to structural supply shortfalls and rising international prices. Meanwhile, in January 2008 the national consumer price index (CPI) had risen to 7.1 per cent to reach the highest level in 11 years. The effect of prolonged severe snow (see above: section e) on food and energy prices was an added source of inflationary pressure, although its full impact on prices was not expected to be felt until later in the year. The further danger was that continuing food price inflation would cause the prices of other products to rise. The Bank report predicted that CPI inflation was quite likely to reach 8 per cent in March (XHNA, 23 Feb.).

The latest national agricultural census (2006) revealed that the number of crop farmers ("rural Chinese following the plough" in original report) declined by more than 80 million between 1996 and 2006. As a result, at the end of 2006, 70.8 per cent of rural workers were engaged in some form of agriculture ("farming, forestry, livestock breeding, fishing and related services"), compared with about 76 per cent in 1996.

Meanwhile, the number of migrant rural workers reached 130 million in 2006 – 60 million more than ten years earlier. The sex, age and educational status of migrants followed a familiar pattern: 64 per cent were men, 82.1 per cent were below the age of 40, and 80.1 per cent had received an education to at least junior middle school level.

According to the census, at the end of 2006, 480 million out of a total rural labour force of 530 million were in employment, suggesting an unemployment rate of almost 10 per cent (XHNA, 21 Feb.).

Tian Chengping (Minister of Labour and Social Security) noted that despite having created 51 million urban jobs during the previous five years, China's employment situation in 2008 was "very severe" (XHNA, 9 March). His concern was informed by the finding that around 20 million new labourers joined the urban and rural work forces each year, whereas the number of new jobs available in cities and towns was only about 12 million. In addition, the scale of rural–urban migration remained large.

A report published by the Chinese Academy of Social Sciences (CASS) predicted that in spite of urban disposable income growth having exceeded GDP expansion for the first time in five years, consumer spending in China would fall to a record low during 2007. The prediction was based on the finding that during January–September 2007, consumption contributed around 36 per cent to GDP (cf. a corresponding figure of 50 per cent in 2006). The report attributed the poor consumption performance to the rapid rise in house prices and the consequent decision by many consumers to defer purchases of other commodities (XHNA, 4 Jan.).

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A report by the All-China Federation of Industry and Commerce estimated that almost 200 million Chinese were now employed in private business enterprises. As of September 2007, there were around 5.39 million registered small businesses, or 8.2 per cent more than at the end of 2006. "Big" private industrial enterprises performed especially well in 2007, with profits of 400 billion yuan in the first 11 months of the year (a year-on-year rise of 50.9 per cent) ("big" companies are defined as those with an annual operational revenue of at least 5 million yuan). Meanwhile, investment by private enterprises was also rising – up by 36 per cent during January–November 2007 to 5.67 trillion yuan, or 56.4 per cent of total urban fixed investment (XHNA, 8 Feb.).

Li Yizhong (Head of the State Administration of Work Safety) revealed that more than 10,400 coal mines had been closed during 2005–07 as part of a combined effort to improve work safety and conserve China's natural resources. He expected that a further 1,100 mines would be closed in the near future.

Li acknowledged that safety enforcement in the mining industry – especially in small-scale mines – was lax and he accused mine owners of prioritizing production ahead of safety in order to maximize profits. A further problem was that as existing mines were being closed, new ones were being opened (XHNA, 3 Jan.; see also XHNA, 5 Jan. for a report on the closure, in 2007, of 273 small-scale mines in Heilongjiang, and of 2,880 illegally operated mines in Shanxi).

It was announced that construction of China's first third-generation nuclear facility – the Sanmen power plant in Zhejiang Province – would begin in March. It would use Westinghouse AP1000 technology, as would a second plant (Haiyang), construction of which would begin later in 2008 in Shandong Province. Each of the facilities would have two nuclear reactors. China currently has 11 nuclear generating units in use, all of which use second-generation technology. Three are reliant on domestic technologies, four on French technologies, two on Russian technologies, and a final two on Canadian technologies. If government plans are fulfilled, by 2020 China's installed nuclear power capacity will reach 40 million kWs, or 4 per cent of its overall power capacity (XHNA, 3 Jan.).

Ministry of Agriculture statistics showed that China's net cereal exports had increased year-on-year by 320 per cent in January–November 2007. Gross cereal exports rose by 77.6 per cent to 9.2 million tons, while imports fell by 56.6 per cent to 1.44 million tons. Rises in international grain prices were thought to be mainly responsible for the increase in exports. It was expected that export growth would slow down in 2008.

In January the State Council issued a circular on land conservation and improvements in the efficiency of land use, designed to enhance the protection of arable land and help resolve a "sharp conflict between land supply and demand." The immediate background to the new measures was the continuing contraction of China's total arable area (down by a further 306,700 hectares in 2006 to 121.8 million ha. but see also e) above). Contained within the new guidelines were calls for the formulation of large-scale "scientific infrastructure"

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programmes – in particular, the construction of cheap residential housing – and the implementation of more effective approval and monitoring of land use (for further details, see XHNA, 7 and 8 Jan.; also *RMRB*, 10 Jan.).

The shortage of farm land was confirmed in a report the following month, in which it was reported that China's arable area was barely above the critical minimum set by the government. The Ministry of Land Resources also revealed that about half of China's arable land was concentrated in the west and northwest, with a further 44 per cent distributed equally between central and eastern regions of the country. The report further noted that more than half of the arable area comprised dry land; rice paddy and "irrigable" land took up 26 per cent and 18.9 per cent, respectively (XHNA, 29 Feb.).

h *Education*

A report from the Ministry of Education (MOE) noted that fiscal expenditure on education had risen by 23 per cent to reach 634.8 billion yuan, or 3.01 per cent of GDP, in 2006. Concealed in these figures was a 54 per cent rise in central government spending to 53.88 billion yuan (less than 10 per cent of the total). Herein lay a major problem and challenge: on the one hand, the central government faced constraints on its ability to maintain rapid increases in spending on education; on the other hand, local governments tended to direct their spending towards outlets that were more profitable than education. Hence the need to improve incentives to encourage higher local government spending and to rationalize expenditure sharing arrangements between local and central government. Another priority was to ensure that spending was not unduly skewed away from compulsory towards higher education.

A CASS report noted that of the 5 million students who graduated from Chinese universities in 2007, one million had still not found jobs. The failure to secure employment was not the result of excess supply – indeed, the reality was one of excess *demand* – but rather reflected the failure of graduates to meet employers' needs and their (students') unwillingness to take work in backward and remote regions of the country.

The following table shows enrolments in higher educational institutions in China in 2007, as revealed by the NBS Communiqué on national economic and social development:

i *Beijing Olympics*

A Hong Kong source quoted the 2008 *China Social Blue Paper* [title as given], published by CASS, to the effect that ten major risks attached to the 2008 Beijing Olympic Games. These included problems relating to management and protection, public security, traffic congestion, air pollution, disruption of information by computer hackers, food safety, safety of tourists, social security, social order, and terrorism (see *Wen Wei Po* [*Wenhui Bao*], 4 Jan.).

It was announced in March that China had established "state-level headquarters" in order to manage the security of the Beijing Olympics. Liu

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Table 18: **New and Total Student Enrolments, 2007 [2006] (millions)**

Item	New enrolments in 2007	Total enrolments in 2007	Number of graduating students in 2007
Postgraduates	0.42 [0.40]	1.20 [1.10]	0.31 [0.26]
General tertiary education	5.66 [5.40]	18.85 [17.39]	4.48 [3.77]
Secondary vocational education	7.41 [7.41]	18.09 [18.09]	5.30 [4.76]
Senior secondary education	8.40 [8.78]	25.22 [25.15]	5.40 [7.27]
Junior secondary education	18.69 [19.30]	57.36 [59.58]	19.64 [20.72]
Primary education	17.36 [17.29]	105.64 [107.12]	18.70 [19.28]
Special education	0.06 [0.05]	0.41 [0.36]	–
Pre-school education	–	23.49 [22.64]	–

Jingmin (Executive Vice-President of the Beijing Organizing Committee) explained that "[t]he headquarters groups the Ministry of State Security, the Ministry of Public Security, and armed forces," and added that plans had already been formulated to deal with any emergencies that arose during the Games (XHNA, 12 March).

j *Hong Kong Special Administrative Region (HKSAR)*

Radio-Television Hong Kong (RTHK) reported that on 13 January, some 7,000 people took part in a march and demonstration calling for universal suffrage in Hong Kong by 2012. Cardinal Joseph Zen led the protest. On the same day, the HKSAR Chief Executive (Donald Tsang) acknowledged the need for "real progress" towards political reform in 2012 if universal suffrage was to be introduced in 2017 and 2020. Thus,

> The central government has placed its trust in us to make progress for the chief executive and Legco elections in … 2012. We need to achieve this milestone. It's crunch time for everyone involved in our political development. … It has never been a question of whether. It's no longer a question of when. It's now a question of how. And if we can't make progress in 2012, it will not only be a great disservice to the people of Hong Kong, it will also be a great disservice to our own country. We've got our wish for a timetable. Now it's up to us to fill in the blanks (RTHK, 13 Jan.).

The HKSAR Secretary for Constitutional Affairs, Stephen Lam, told Legislative Council members that the 2008 Legislative Council elections would be held on Sunday 7 September. Nominations would be received between 19 July and 1 August (RTHK, 18 Feb.).

On 27 February, the HKSAR Financial Secretary (John Tsang) presented his first budget to the Legislative Council. He announced that by 31 March (i.e. at the end of the 2007–08 financial year) there would be a record budget surplus of HK$115.6 billion – equivalent to 7.2 per cent of GDP. Meanwhile, fiscal reserves would by then have risen to HK$484.9 billion.

Tsang spoke of the vibrancy of the Hong Kong economy in the face of unfavourable external economic conditions associated with sub-prime and credit

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problems. Thus, in 2007 GDP had grown by 6.3 per cent – the fourth consecutive year in which economic growth had exceeded 6 per cent. Underlying this performance was a 7.9 per cent export expansion and a 7.8 per cent rise in domestic private consumption spending. At 3.4 per cent, unemployment was at the lowest level since the first quarter of 1998.

In making its future spending plans, the government would follow the principle of "big market, small government," while continuing to invest in health, education and worker re-training. Among Tsang's budgetary proposals was a one-off tax cut of 75 per cent of salaries tax and tax under personal assessment for 2007–2008, subject to a ceiling of HK$25,000. This initiative, which would benefit around 1.4 million tax payers and leave about one million of them paying no more than HK$5,000 in annual tax, was expected to cost the HKSAR government HK$12.4 billion.

Other budgetary initiatives for 2008–09 included increases in the basic allowance, the single parent allowance and the allowance for married couples, as well as the implementation of a one-off extra allowance of HK$3,000 for the elderly. Tsang further noted that "[u]pon implementation of the proposals, all the major allowances and tax rates will have reverted to their 2002–2003 levels."

Tsang spoke of the likelihood that inflationary pressures would grow during 2008 (see also XHNA, 20 March, which reported that the CPI had risen to a ten-year high in February). His forecast of annual GDP growth was between 4 and 5 per cent – below the corresponding level of the previous four years, but above trend-line growth during the past decade. He expected that a deficit on operating and consolidated accounts in 2008–09 would give way to a return to a surplus of HK$67.3 billion by 2012–13 (XHNA, 27 Feb.).

2. Foreign Relations

a *Diplomatic Tours*

Yang Jiechi's visits to four African countries (South Africa, the Democratic Republic of Congo [DRC], Burundi and Ethiopia)

In Pretoria on 7 January, Yang Jiechi held talks with the South African President, Thabo Mbeki. Mbeki spoke of the importance which his government attached to its relations with South Africa and hoped that friendly co-operation between the two countries would be further strengthened. He also praised the role of the Chinese government in Darfur.

Yang noted the rapid expansion of ties between China and South Africa in the ten years since the two sides' establishment of formal diplomatic relations. He echoed Mbeki in expressing the hope for even closer bilateral ties and co-operation in the coming years.

In separate talks, Yang and his South African counterpart (Nkosazana Dlamini Zuma) discussed bilateral relations, as well as other regional and international issues of shared concern. They agreed that in addition to

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maintaining the momentum of existing high-level exchanges, the two sides should seek to establish a inter-foreign ministerial "strategic dialogue mechanism" and strengthen co-operation trade and the economy (especially agriculture), science and technology, education and human resource development (XHNA, 7 Jan.).

On 8 January Yang Jiechi arrived in Kinshasa, where he met the President (Joseph Kabila) and Foreign Minister (Mbusa Nyamwisi) of the Democratic Republic of the Congo. Kabila drew particular attention to the potential for co-operation with China in order to facilitate infrastructural construction. Yang spoke of China's willingness to strengthen trade and economic ties, and reaffirmed its determination to assist the UN peacekeeping mission in the Congo. Similar sentiments were expressed in his talks with Mbusa (XHNA, 8 Jan.).

The following day saw Yang in Bujumbura, where he held separate meetings with the Burundian President, Pierre Nkurunziza, and Foreign Minister, Antoinette Batumubwira. The main focus of their discussion was the prospects for closer economic co-operation in support of Burundi's social and economic development (XHNA, 9 Jan.).

The final leg of Yang Jiechi's African tour took him to Addis Ababa, where he held talks with the Ethiopian Prime Minister (Meles Zenawi). Meles expressed his gratitude to China for its aid (including debt relief and zero tariff treatment) over many years. Yang spoke of Ethiopia's influence throughout Africa and described it as China's major African "co-operative partner." He reaffirmed the importance which the Chinese government attached to its relations with Ethiopia and hoped that ties between the two countries would become a "good example for China–Africa friendly co-operation" (XHNA, 10 Jan.).

The Chinese Foreign Minister returned to Beijing on 11 January.

b *Countries, Territories and Regions*

Africa (Malawi, Nigeria)

On 14 January the Foreign Minister of Malawi, Joyce Banda, confirmed that Malawi had established diplomatic relations with China, effective as of 28 December 2007. The move followed a Malawian decision to end 41 years of diplomatic relations with Taiwan.

In March the President of Malawi (Bingu wa Mutharika) undertook a state visit to China. His talks with Hu Jintao (25 March) focused on bilateral issues in the wake of the establishment of formal diplomatic relations between the two countries in December 2007. Mutharika spoke of his country's wish to expand co-operation with China and made clear his hope that China would assist Malawi in its poverty relief and development efforts. Hu responded positively to Mutharika's remarks and looked forward to the two sides engaging in "mutually beneficial co-operation," especially in agriculture and fisheries, mineral resource exploration and infrastructural construction (XHNA, March). Yang Jiechi later

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joined Mutharika in a ceremony to mark the official opening of the Malawian Embassy in Beijing.

On 27 February the President of Nigeria, Umaru Yar'Adua, arrived in Beijing to begin a four-day state visit to China. It was Yar'Adua's first visit to China since taking office in May 2007.

During their talks, both Hu Jintao and Yar'Adua spoke with satisfaction of the development of relations between their two countries. Hu put forward a four-point proposal to further strengthen such ties. Yar'Adua also met Wen Jiabao and other senior Chinese officials. The two sides agreed to extend co-operation in agriculture, infrastructure and energy, manufacturing and telecommunications. (See XHNA, 28 Feb. for the full text of a joint communiqué; for Yar'Adua's speech to the China-Nigeria Business Forum, see XHNA, 29 Feb.).

Japan

The two-day eighth China–Japan strategic dialogue opened in Beijing on 22 February. The meeting was attended by the Chinese Vice Foreign Minister (Wang Yi) and the Japanese Deputy Minister of Foreign Affairs (Mitoji Yabunaka). Their talks focused on ways of increasing strategic mutual trust and bilateral co-operation. During his stay in Beijing, Yabunaka also met Yang Jiechi.

According to a Japanese news agency (Kyodo, 23 Feb.), the meeting failed to generate progress on the dispute between China and Japan over oil and gas exploration rights in the East China Sea. Xinhua's report on the meeting was less revealing, merely noting that the two sides had agreed to consult further on the issue. More generally, it said that the latest dialogue had "obtained fruitful results in exchanging views on … enhancing strategic mutual trust" (XHNA, 23 Feb.).

South America (Peru)

On 18 March the President of Peru, Alan Garcia, arrived in Beijing at the start of a four-day state visit to China. In his talks with Hu Jintao (19 March), Garcia reaffirmed his government's commitment to support the one-China policy and its opposition to any activities aimed at "separating China." Hu spoke well of relations between China and Peru, and looked forward to closer economic and political co-operation. Following the talks, the two sides signed a number of agreements on bilateral economic, technological and cultural co-operation. During his visit, Garcia also met Wen Jiabao.

Northeast Asia (South Korea [Republic of Korea])

On 20 March, the visiting South Korean Foreign Minister (Yu Myung-hwan) held talks in Beijing with senior Chinese officials, including Wen Jiabao and Yang Jiechi. The South Korean news agency, Yonhap, quoted Yu as saying that South Korea's efforts to improve its relations with the United States would not

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be to the detriment of its ties with China. He also called on Chinese government officials to look for ways of improving business conditions for potential South Korean investors in China (Yonhap, 20 March). Yonhap also reported that Hu Jintao had accepted an invitation to make a state visit to South Korea.

South Asia (India)

On 12 January Manmohan Singh left New Delhi for his first visit to China since he became Prime Minister of India in 2004. The main goal of his three-day visit was to promote closer ties between India and China on the basis of "comprehensive economic engagement" and the development of co-operation over a range of activities, including defence and security. A Press Trust of India (PTI) report in advance of the visit noted that the unresolved border issue would be a major issue for discussion during Singh's talks with Chinese officials. Before his departure from India, Singh spoke of the strategic importance of the two countries to each other, as well as of the potential contribution which each promised to make to regional and global peace, security and stability. The PTI report noted that between January–November 2006 and the same period of 2007, the value of bilateral had risen by 54 per cent to US$34.2 billion. It expected that the trade target of US$40 billion by 2010 would be fulfilled ahead of time (PTI, 12 Jan.).

In a meeting on 14 January, Wen Jiabao spoke of the importance of Sino-Indian co-operation for global peace and prosperity, and agreed with Singh's view that the "mutual development" of China and India would change the outlook not only of Asia, but of the entire world. Meanwhile, Singh said that his government viewed the development of a co-operative and mutually beneficial relationship with China as a priority goal. Following their talks, the two men signed a document – "A Shared Vision for the 21st Century of the People's Republic of China and the Republic of India" – which set out the two countries' common vision for the 21st century and the tasks still to be completed. Contained in the document was an agreement to strengthen senior-level communication, undertake mutual visits by the two countries' foreign ministers and to push forward with their fourth strategic dialogue. Priority areas of co-operation included increased mutual investment and closer co-operation in energy, science and environmental protection. It was hoped that regional trade talks between China and India would get under way in order to help facilitate fulfilment of the revised goal to increase the value of bilateral trade to US$60 billion by 2010. Outside the economic sphere, the document looked forward to a strengthening of military exchanges and the organization of a "second joint anti-terrorist training" (XHNA, 14 Jan.).

Commenting on the Indian Prime Minister's talks with his Chinese counterpart, PTI reported that India had secured a "new pledge" from China on bilateral co-operation in civil nuclear energy. It also noted Chinese support for India's aspirations to obtain a seat in the UN Security Council in return for a reaffirmation of Indian adherence to the one China policy. According to PTI,

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the outcome of the talks had exceeded the Indian side's expectations (PTI, 14 Jan.).

The following day, Manmohan Singh held talks with Hu Jintao, drawing particular attention to the opportunities for the further development of relations between India and China. Hu hoped that the two sides would maintain and accelerate the momentum of existing high-level exchanges and co-operation. He spoke of the importance of deepening their strategic dialogue in order to "intensify the political and social foundation for the development of the bilateral relations." He added that a spirit of "mutual respect and equal consultation" should inform their efforts to resolve outstanding "sensitive" issues (XHNA, 15 Jan.).

Taiwan [Republic of China]

The Ministry of Commerce (MOC) in Beijing reported that China had recorded a trade deficit of US$77.56 billion vis-à-vis Taiwan in 2007. Concealed in this figure was total bilateral trade worth US$124.48 billion (15.4 per cent more than in 2006) – viz. US$23.46 billion in Chinese exports (up 13.1 per cent), and a reverse flow of US$101.02 billion of imports (up 16 per cent). In 2007 Taiwan was China's seventh-largest trading partner (its ninth-largest export market and fifth-largest source of imports. The same source revealed that the value of utilized Taiwanese FDI was US$1.77 billion – 20.4 per cent below the 2006 level. The cumulative value of Taiwanese GFDI to the mainland since 1988 was US $45.76 billion (XHNA, 25 Jan.). A later Xinhua report quoted MOC to the effect that cross-Straits trade in agricultural products had increased by 40.3 per cent to reach US$800 million.

United States of America

In Guiyang on 17–18 January, China and the United States held their fifth strategic dialogue, co-chaired by Vice Foreign Minister Dai Bingguo and the US Deputy Secretary of State, John Negroponte. The two sides exchanged views on a range of bilateral, regional and international issues. They agreed that the sixth dialogue should take place in the United States later in 2008.

On 26 February the US Secretary of State, Condoleezza Rice, began a two-day visit to Beijing, during which she met Hu Jintao, Wen Jiabao, Yang Jiechi and other senior Chinese officials in order to discuss bilateral relations and global issues. In a press statement, she reaffirmed the US government's commitment to the one-China policy and its opposition to "unilateral changes across the [Taiwan] Straits."

In her talks with Yang Jiechi, she was explicit in opposing Taiwan's holding of a referendum UN membership (the US "opposes the proposed referendum because we believe that the referendum would not be constructive and would not in fact serve useful purposes"). For his part, the Chinese Foreign Minister told Rice that China was ready to resume the human rights dialogue with the United States which had been suspended in 2004, following the US submission of a

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human rights motion on China to the 60th session of the UN Commission on Human Rights (XHNA, 26 Feb.).

In a separate meeting, Wen Jiabao spoke of China's readiness to join the US in helping promote growth throughout the world and stabilize global financial markets. In a reference to difficulties in the Sino-US economic and trade relationship, he warned against resorting to "trade protectionism in any form" and insisted that differences between the two sides should be resolved through dialogue and consultation. At the same time, he gave an undertaking that China would continue to look for ways of addressing US concerns, whilst also calling on the United States to further open its markets to Chinese goods and to remove limitations on its export of high-tech products to China. Rice's response was to acknowledge a tendency towards economic nationalism and trade protectionism in the US, but to reaffirm President Bush's commitment to "free and just trade" (XHNA, 26 Feb.).

Bilateral relations were the main focus of Condoleezza Rice's talks with Hu Jintao. Hu spoke with satisfaction of increasing co-operation over a wide range of activities between China and the US during the previous year. Like Yang Jiechi, he laid considerable emphasis on the importance of "prudently" handling the "Taiwan issue" in order to "resolutely deter the adventurist activities of 'Taiwan independence' separatist forces" (*ibid.*; also on Rice's visit, see *ZTS*, 26 Feb.).

In the course of a working meeting between the Chinese and US defence departments (Shanghai: 29 February), officials from the two countries signed an agreement on the establishment of a military hotline between their defence ministries. The intention was that through the mechanism of the hotline, Chinese and US military and defence officials would have access to instant contact with one another on "major issues of common concern, especially in emergencies" (XHNA, 29 Feb.).

In March, the State Council's Information Office issued a report on the "Human Rights Record of the United States in 2007" (XHNA, 13 March, which contains the full text of the report). It was critical of the US government's domestic human rights record and sought to highlight its alleged violation of human rights overseas. As the document put it, "the United States reigns over other countries and makes arrogant and malicious attacks on their human rights issues, but mentions nothing about its own human rights problems."

By publishing the Human Rights Record of the United States in 2007, the report says it aims to "help the people have a better understanding of the real situation in the United States and as a reminder for the United States to reflect upon its own issues … America's human rights records can be best described as tattered and shocking."

Western Europe (United Kingdom, Germany)

On 18 January Gordon Brown arrived in Beijing on an official visit to China – his first as British Prime Minister. In talks the same day, Brown and his Chinese

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counterpart (Wen Jiabao) spoke of their readiness to intensify their efforts to further strengthen the two countries' "comprehensive strategic partnership." According to Wen, bilateral relations were now "at the best historical period":

> [p]olitically, the various dialogue mechanisms between the two countries are operating well, and the mutual trust between the two countries continues to strengthen. Economically, the two countries' trade amount rises in a sustained manner, and the areas of co-operation are expanding constantly. Culturally, the two countries' exchanges are very brisk, and the mutual understanding is constantly deepening. In international and regional affairs, the communication and co-ordination between the two countries are also becoming more and more close.

In response, Brown said that the strengthening of the two sides' dialogue and co-operation over a wide range of activities promised to have a major impact on both the world economy and the international community. He congratulated China on its economic successes and wished it well in fulfilling its development aspirations, as well as in hosting the Beijing Olympics.

Xinhua listed nine areas of consensus reached during Brown's talks with Wen, as follows:

1. to raise the Sino-British vice-ministerial-level financial dialogue to "vice-premier-level economic and financial dialogue";
2. to establish an exchange mechanism for Chinese and British young people;
3. to increase targeted two-way trade to US$600 billion by 2010;
4. to initiate a "Sino-British science bridge plan";
5. to accelerate the formulation of a "Sino-British renovation partnership action plan";
6. to develop a co-operation plan in preparation for the 2012 London Olympics;
7. to co-operate in addressing the problem of climate change and in building sustainable cities;
8. to consult closely and co-ordinate on "hot-button issues";
9. to promote progress in regard to the Doha Round of Talks.

Following the talks, Brown and Wen attended a ceremony of contracts worth almost US$800 million in education and energy, as well as of a joint statement on climate change (XHNA, 18 Jan.; *ibid.* for an account of Brown's meeting with Hu Jintao).

Brown later travelled to Shanghai, where he concluded his three-day visit to China.

The following month, the British Foreign Secretary (David Milliband) traveled to Beijing, where he held talks with senior Chinese officials, including Wen Jiabao and Yang Jiechi. The foci of the discussions were bilateral relations, and regional and international issues of common concern. Yang Jiechi expressed his government's gratitude to Milliband for his explicit statement of support for the one-China policy and his opposition to the Taiwanese government's wish to hold a referendum on UN membership (XHNA, 28 Feb.).

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In January Yang Jiechi travelled to Berlin in order to participate in a six-country foreign ministerial meeting on the Iranian nuclear issue. During his stay in Berlin, he held talks with the German Foreign Minister, Frank-Walter Steinmeier, with whom he discussed Sino-German relations and other international issues in what was described by Xinhua as a "friendly, frank and sincere atmosphere."

Yang was at pains to impress on his German counterpart the need to adhere to the principles of "mutual respect, equality, mutual benefit and non-interference in each other's internal affairs" and to show due consideration for each country's concerns, if relations between Germany and China were to develop further. He noted recent German government reaffirmation of its view that Taiwan and Tibet were "inalienable" parts of China's territory, of its opposition to Taiwan's "referendum on joining the United Nations," and its undertaking not to lend support or encouragement to efforts to achieve Tibetan independence. The Chinese government expressed the hope that Germany would stand by its commitments and would "avoid unnecessary interference in bilateral relations again." On this basis, China was ready to take Sino-German relations to a new level. On his part, Steinmeier acknowledged recent difficulties in bilateral relations, but said that both sides had now put these behind them (XHNA, 22 Jan.).

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