Quarterly Chronicle and Documentation

(October–December 2005)

Sources

The principal sources of information on which this chronicle is based are British Broadcasting Corporation, *Monitoring Global News line – Asia-Pacific Political* and British Broadcasting Corporation, *Monitoring Global News line – Asia-Pacific Economic*. These sources, now only available electronically, do not have reference numbers and are only identifiable by date of publication of material. The inclusion of each of these dates would unnecessarily clutter the text and they have therefore been omitted. At many points, however, references are given to the original (usually Chinese) sources from which the BBC reports 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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3. Documentation

"CCP Central Committee Proposal on the 11th Five-Year Programme on National Economy and Social Development" (approved by the Fifth Plenum of the 16th CCPCC on 11 October 2005).

1. Internal Developments

(a) *The Fifth Plenum of the 16th Chinese Communist Party Central Committee (CCPCC)*

The fifth plenary session of the 16th CCPCC took place in Beijing between 8 and 11 October. The focus of discussion was the forthcoming 11th Five-Year "Programme", to be implemented during 2006–2010. Members discussed a work report from Hu Jintao on behalf of the Central Committee. It examined and, on 11 October, adopted the "CCP Central Committee Proposal on the 11th Five-Year Programme on National Economy and Social Development") (full text, as issued by Xinhua on 18 October, is reproduced in "Quarterly Documentation" below).

On the eve of the Plenary session, Xinhua (7 Oct.) described the new Plan as the embodiment of a new development ethos, defined as a "scientific development concept" based on a "people-centred" approach. Nothing less than a change in the basic mode of development was implicit in this approach (see also *RMRB* website, 9 Oct.). This was implicit in the aim of implementing the "five overall plans" (*wu ge tongchou*) – overall planning for urban and rural development; regional development; economic and social development; harmonious development between man and nature; and domestic development in conjunction with opening up to the outside world; and the "six musts" (*liu ge bixu*) – promoting further rural reform; strengthening state-owned enterprise (SOE) reform; lending support and guidance to the development of the non-state-owned economy; speeding up financial reform; promoting reform of the "systems governing finance, taxation and investment;" and intensifying the building of market systems in the interests of rapid and stable national economic and social development.

The report suggested that the coming five years promised to be a "golden period for development," but warned that they would also be a "contradictions-sharpening period" in which China would be confronted by internal and external challenges ("we will face grimmer challenges than those we used to face during any of the previous five-year plan periods"). These would include problems associated with intensified resource and environmental pressures, insufficiency of scientific and technological innovation capacity, lack of co-ordinated regional development, and a tendency towards "blind investment" because of the existence of increasingly serious structural irrationalities.

Against the background of fierce scientific and technological competition, the report spoke of the inescapable need to make independent innovation a "strategic foundation" for future development and called for major improvements in China's independent scientific and

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technological innovation capability. It acknowledged failings in this area:

> … due to a lack of core technologies and independent intellectual property rights, [China] remains at the low end of the division of labour in international industries, as its relative competitive edge still comes from cheap labour, resource consumption, land occupation, and preferential policies. Statistics show that of the economic growth of advanced countries, 75 per cent rely on technological progress while 25 per cent, on energy, raw and semi-finished material, and labour inputs. Things are exactly the opposite in our country. China's major industries mainly rely on imports for the key equipment and core technologies they need. If China fails to put an end to such a situation, its poor independent innovation capability will seriously constrain its economic development.

Future economic structural initiatives should focus on addressing inefficiencies in SOEs, state-monopolized industries and trades, finance, taxation, income distribution and social security. Hence the importance of putting in place a management structure that "contributes to the country's unified planning and co-ordinated development" in order thereby to improve the national economic growth pattern. Central to this and to the intensification of overall reform was the need to change the role of government, and to prioritize its functions in the areas of economic regulation and control, market supervision, public services, and social management. No less important was the need to ensure that future reform embodied a "people-centred" approach as a core element. Thus,

> we should [focus on reforms that touch upon] the immediate interests of the masses of the people; vigorously promote the reform of the country's employment system, income distribution system, social security system, as well as public health and education systems; and see to it that all the people in our society benefit from the country's reform and development.

The communiqué of the CCPCC Plenum (see XHNA, 11 Oct.) reviewed progress in economic and social development made during the Tenth Five-Year Plan, including the fulfilment ahead of schedule of major development targets. It claimed to have

> effectively curbed factors of instability and unhealthiness that emerged in economic operations, successfully overcome the challenges of atypical pneumonia and natural disasters, and calmly dealt with the new changes after joining the WTO; the national economy has developed in sustained and relatively fast manner, and the pace of industrialization, urbanization, marketization, and internationalization has speeded up; … economic structural reforms have continually deepened, foreign trade has climbed to a new level, state fiscal revenue has greatly increased, the general price level has been kept basically stable, urban and rural living standards have further improved, ethnic solidarity has been further consolidated, new progress has been made in all social undertakings …

By such means, a strong foundation had been laid for the new (11th) Five-Year "Programme", and the fulfilment of its over-riding goal of creating a harmonious society and facilitating a pattern of sustainable growth for the future.

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The shift from an extensive towards an intensive growth mode was highlighted in demands to improve economic returns, conserve resources (including reducing energy consumption per unit of GDP by 20 per cent by 2010) and raise profitability. The looked-for qualitative enhancement of economic operations was implicit in the goal of nurturing "outstanding enterprises with their own intellectual property rights and famous brands," capable of facing up to international competition. Within an even more open economy, international payments should be basically balanced. The search for greater social harmony would meanwhile be pursued through the consolidation of the nine-year compulsory educational system, increased urban employment, extended social security provision and a further reduction in the incidence of absolute poverty. Of particular importance was the need to build "new socialist *rural* areas" [emphasis added] – a vision that embraced increased production, attainment of a degree of "affluence," the creation of a "civilized … atmosphere," better hygiene, sanitation and environment, and "democratic management" in the countryside.

Better co-ordination of urban and rural development, and of development between regions, was called for. Thus:

> We must … promote western development, rejuvenate old industrial bases in the northeast and elsewhere, spur the rise of the central region, encourage the eastern region to take the lead in development, and form a new pattern in which the east, central, and west regions interact, complement each other with strong points, spur each other, and develop together.

Promoting education, increasing the pool of talent, and developing science and technology – all were central to improving China's competitiveness. The accelerated development of a national innovation system was a major priority. So was the enhancement of education in order to promote economic and government performance ("we must strengthen the building of human resources capacity, institute the talent cultivation project, speed up the building of three contingents of talented people – in the party and government, in enterprise management, and in specialized technology – and get a good grasp of training specialized and highly able technical talent and useful talent for the rural areas").

An editorial in *People's Daily* argued that the Plenary Session's endorsement of the new Five-Year "Programme" (on the significance of the use of "Programme," rather than "Plan," see XHNA, 10 Oct.) marked a major watershed in development thinking, captured in the embodiment of a new guiding ideology – captured in a "scientific development concept" – designed to facilitate "new progress in socialist economic, political and cultural construction and in building a harmonious society and the party (*RMRB*, 12 Oct.)."

(b) *The 18th and 19th Sessions of the Tenth NPC Standing Committee (NPCSC)*

The 18th NPCSC meeting took place between 22 and 27 October. It examined and approved draft amendments to the Auditing Law and

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Agricultural Products Quality Security Law, among others, as well as re-examining and adopting draft amendments to the Company Law, Securities Law, Personal Income Tax Law, and Property Rights Law.

NPCSC members considered a proposal that China's monthly personal income tax cut-off point be increased from 800 to 1,500 *yuan*. The 800 *yuan* limit had been in force for over 10 years. There were also calls to eliminate tax loopholes in order to make tax levies on high-income earners more effective. One Standing Committee delegate pointed out that the means to resolve the problem of "grey income" were still lacking (XHNA, 23 Oct.).

In his closing speech, Wu Bangguo (Chairman of NPCSC) highlighted the importance of the draft Property Rights Law – legislation which he described as a cornerstone for the protection of people's personal interests and those of the national economy. He suggested that there was majority support for the current Property Rights Law draft, but admitted that there were also some differences of opinion – for example, on how the law could most effectively reflect China's "basic socialist economic system," on how more effectively to protect and preserve state-owned assets, and how to "comprehensively and accurately reflect the party's basic policies on rural areas and safeguard farmers' fundamental interests." These were issues which demanded further consideration (XHNA, 27 Oct.).

The 19th NPCSC meeting took place in Beijing on 24–29 December. Against the background of numerous disputes between local governments and private individuals over the "bulldozing [of] private residences to pave the way for urban construction," delegates examined China's first-ever administrative mandatory law. The Deputy-Director of the NPCSC's Legislative Affairs Commission (Xin Chunying) explained that the legislation sought to "limit personal freedom of certain individuals and freeze their properties for the purpose of protecting the public interests … [by ensuring that] no mandatory sanction by the government shall be carried out unless it is provided for by the law" (XHNA, 24 Dec.).

Other matters considered by NPCSC members included: State Council reports on China's energy conditions and energy security issues, as well as on the revitalization of the old industrial bases in the Northeast China; the NPC Law Committee's report on amendments to the draft animal husbandry law; the draft resolution on abolishing the agricultural tax regulations; two draft interpretations of relevant provisions of the Criminal Law, and the draft labour contract law (see XHNA, 27 Dec.). Delegates adopted the draft Law on Animal Husbandry.

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

A commentary in *People's Daily* (RMRB, 7 Oct.) stressed the need to put in place a "public services-orientated" government in order to address the "contradiction" between rapid growth in the demand for public goods and the "acute" lack of public goods. The tension was highlighted in the emergence, on the one hand, of increasing affluence for large numbers of people, and, on the other, of "numerous" disadvantaged groups of

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landless farmers, laid-off workers and rural migrants in search of urban employment. For the latter, the absence of access to social security provision was the source of discontent that frequently gave rise to socially divisive "mass incidents" threatening social stability.

Such was the background to *RMRB's* call for a major expansion of government's public service function "by devoting most of its energy and financial resources to the development of social undertakings and the expansion of the supply of public goods in an earnest effort to solve the problems in the people's livelihood."

Accordingly, it was incumbent on the government to enhance market regulation and supervision in order to create an equal competitive environment. In the interests of safeguarding fair and efficient competition, efforts were needed to combat rent seeking, abuse of power and other forms of corrupt behaviour. Care must be taken to define and limit the scope of intervention by administrative means, and to provide for the effective supervision of the exercise of such power.

In the pursuit of more socially harmonious development, the government should also intensify its efforts to help disadvantaged groups by upholding their legitimate rights and interests, and increasing spending on allocating health care, compulsory education and disaster relief. Complementary fiscal measures should be introduced to address inequities of income distribution.

In October, the State Council's Information Office issued a White Paper on the "Building of Political Democracy in China." According to Xinhua, it provided a detailed account of the "inception, development, contents and principles of the country's political democracy, … [including] the problems that the country has to overcome in its building of political democracy and major steps to be taken in the reforms of its political system" (XHNA, 19 Oct.). The document was divided into 12 parts, as follows:

Preface

1. A choice suited to China's conditions
2. The CCP [Chinese Communist Party] led the people to become masters of the state
3. The people's congress system
4. The system of multi-party co-operation and political consultation under the leadership of the CCP
5. The system of ethnic regional autonomy
6. Grassroots democracy in urban and rural areas
7. Respecting and safeguarding human rights
8. The democratic rule by the Chinese Communist Party
9. Government democracy
10. Judicial democracy

Conclusion

Li Changchun, a member of the Chinese Communist Party Politburo Standing Committee, gave a speech at a national meeting on 26 October to reward cities, townships, villages, units and individuals for their efforts

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in building spiritual civilization (*RMRB*, 27 Oct.). Li noted that problems of morality and civilization still existed in society and he stressed that priority should be given to educating villagers to embrace modernization and reject superstitious and outmoded ideas. Li said that regional development must be centralized and urged local governments to pay attention to rural areas, the rule of law and not waste money on unnecessary construction projects. Li also said that the media and universities would step up campaigns to strengthen the morals and patriotism of young people, and efforts would be made to clean up the Internet and mobile phone messages, and to crack down on pornography and illegal products.

Li warned that progress towards building a spiritual civilization faced many difficulties. Thus:

> … the development of work is uneven; … the mechanisms for ensuring long-term results of the work … remain unsound; … plans have yet to be in place; … there are many flip-flops because our society's moral construction has yet to be tightened up and because the foundations of certain projects are fragile; and … certain places are doing their work only formalistically. All this has significantly fallen short of the Central Committee's requirements and the people's expectations. (*RMRB*, 27 Oct.)

In order to combat such problems, Li urged that regional development be made more centralized. Particular attention should, he said, be directed to building spiritual civilization in rural areas, where work should be guided by the experience of model towns and cities. In this way, a "socialist new countryside" would be nurtured in which "production is developed, people are affluent, villagers' behaviour is civil, villages are neat and tidy, and management is democratic" (on the development of a "socialist countryside," see also Chen Xiwen in *RMRB*, 4 Nov.; and see XHNA, 29 Nov. for the full text of the "Guiding Opinions on the Education Campaign to Maintain the Advanced Nature of Communist Party Members for the Third Group of Selected Units," issued by the Central Leading Group for the Education Campaign to Maintain the Advanced Nature of Communist Party Members).

On 22 December the State Council's Information Office issued a White Paper, entitled "China's Peaceful Development Road" (full text in XHNA). Its contents are as follows:

1. Peaceful development is the inevitable way for China's modernization.
2. Promoting world peace and development with China's own growth.
3. Developing by relying on its own strength, reform and innovation.
4. Seeking mutual benefit and common development with other countries.
5. Building a harmonious world of sustained peace and common prosperity conclusion.

(d) *Social Affairs*

A Xinhua commentary analysed some of the conditions demanded by fulfilment of the 11th Five-Year Programme's aim of creating a "harmonious socialist society." It highlighted the need to give greater prominence to job creation, especially among laid-off urban workers and

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transferees from the rural labour force. It advocated using market forces to guide employment, while intensifying efforts to develop labour-intensive industries, service industries, and medium and small-scale enterprises.

The extension of social security provision was another high priority. The commentary noted that 14 provinces had already implemented the "basic life subsistence guarantee system" for laid-off SOE workers, and integrated it into the national unemployment insurance system. In addition, since the end of 2004 the number of provinces that had set up the insurance system for low-income rural households had risen from eight to 11. Further measures would be introduced in order to improve retirement pension, and unemployment, work injury and basic medical insurance systems for urban workers; and more effective social security provisions would be put in place for rural migrants working in cities.

In order to improve the quality of the labour force, efforts must be made to strengthen compulsory education, especially in the countryside. Government initiatives would include exemption of rural students from tuition and other fees, the provision of free or subsidized textbooks, accommodation and living expenses for students from poor backgrounds. Investment in education should also be increased. Parallel measures were also needed to enhance healthcare (XHNA, 23 Oct.).

On 4 December, the General Offices of the CCPCC and the State Council issued a document on social order ("Opinion of the Central Commission of Political Science and Law and the Central Committee for Comprehensive Management of Social Security on Deepening Safety and Peace Construction") (text in XHNA, 4 Dec.). The main thrust of the document was

> to strengthen the work of comprehensive management of social security under the new situation, … to guarantee the establishment of a harmonious socialist society … to safeguard the fundamental interests of the masses of people and to enhance the party's ability to govern and to consolidate the party's ruling status.

To these ends, efforts would be intensified in order to "promote safety at the grass-roots level [by building] safe and sound cities (prefectures) and … provinces (autonomous regions and municipalities)."

It was reported that on 1 August, Shenzhen Municipal Government had suspended applications from migrants for residency registration in order to combat problems caused by the city's "ballooning population" (*Beijing Review*, 29 Oct.). Migrants in many eastern coastal cities – but especially Beijing, Tianjin, Shanghai, Chongqing, and Shenzhen – were placing increasingly serious pressure on urban infrastructure and environment, as well as on social stability. Hence, the decision in some cities – in the face of current urbanization policies – to "lift the city entrance threshold or close their doors entirely to outsiders."

Unlike western countries, in which around 100 years were needed to enable a city's population to increase from three to ten million, in Shenzhen the process had taken a mere decade. From a city meant to house 800,000 people in the 1980s and no more than 4.8 million during

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the Tenth Five-Year Plan (2001–05), its total population had already reached almost 12 million. Of these, registered migrants numbered an astonishing 10.25 million – and about half of the municipality's total population were "floating," meaning that they resided in the city for less than a year. Not surprisingly, governing this huge transient population had become a "formidable challenge." Such was the background against which the municipal authorities were warning that Shenzhen's future development was likely to "collide with four major crises – diminishing land resources, water and energy shortages, overpopulation and weakening environmental sustainability."

The difficulties were by no means unique to Shenzhen. On the contrary, they were likely to confront an increasing number of large Chinese cities. Measures were therefore needed to address the problems. One view was that financial investment should be adjusted in order to secure a more balanced distribution of funds between large and small cities. Others – more radically – were calling for a re-examination of the rationale of China's urbanization strategy, which sought to raise the urban ratio to 75 per cent by 2050. (For another interesting article, calling for higher wages and better living conditions for migrant workers, see *RMRB*, 31 Oct.)

It was reported that over 26 million people suffered from depression in China, of whom about 60 per cent failed to secure hospital treatment. It was estimated that between 10 and 15 per cent of depression sufferers committed suicide, while 50–70 per cent of suicides (including attempted suicides) were attributable to mental depression (XHNA, 10 Oct.).

Instances of social unrest again captured the attention of media sources inside and outside China. On 1 October, a report from Hong Kong reported violent clashes between police and over 150 shoe-factory workers in Guangzhou in the course of a protest, mainly by women, against low salaries and delayed wage payments. The monthly wage of many workers was said to be less than 100 *yuan* – a mere fifth of the official municipal minimum salary. Some 200 police officers used tear gas to disperse the crowd, and several protestors were arrested (SCMP, 1 Oct.).

In December a Hong Kong source (*Ming Pao* [*Mingbao*], 8 Dec.) reported that a "serious incident of police-civilian conflicts" had occurred in Shanwei City (Guangdong province) on 6 December, when several thousand villagers from Honghaiwan District in Shanwei protested against the embezzlement of compensation funds for farmland that had been requisitioned to construct a local electric power plant. More than a thousand police were said to have been sent to disperse the crowd. In subsequent fighting, tear gas grenades were fired to disperse the villagers, causing the reported death of eight villagers and the disappearance of more than ten others. Dozens more were injured (see also *SCMP*, 8 Dec. and 13 Dec.).

Concern about avian flu was a recurring theme throughout the quarter. On 1 November, Xinhua reported that the Beijing municipal government had ordered the closure of all live poultry and pet bird markets in an effort to curb the spread of bird flu. Sales of live chickens, ducks and geese had already been stopped in 168 municipal markets and a ban

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imposed on flights of homing pigeons. Tests for bird flu on 2,500 people, including poultry farmers and butchers, had all been negative. Despite the slaughter of six million birds, several cases of avian flu were reported from Liaoning province (e.g., see *SCMP*, 9 Nov.), prompting the Chinese Prime Minister to visit the region. Affected areas in Liaoning were later sealed off, and Wen Jiabao admitted that China was facing a "very serious situation" in its efforts to control the disease. (See also XHNA, 10–15 Nov.).

Later the same month, three cases of human avian flu were reported in Hunan (two cases) and Anhui provinces (one, suspected); outbreaks were also said to have occurred in Shanxi and Xinjiang. Sinovac Biotech – a vaccine producing company in Beijing and the first in the world to develop a SARS [severe acute respiratory syndrome] vaccine – revealed that it had made preparations to mass-produce human-use bird flu vaccine. As of 21 November, China had confirmed 21 cases of avian flu in nine provinces, autonomous regions and municipalities. A senior official described the situation as "severe" (21 Nov.; see also XHNA, 20 Nov. for the text of the "Contingency Regulations for Major Epidemics of Animal Diseases;" and XHNA, 23 Nov. on measures taken in Ningxia to combat possible outbreaks of bird flu).

In December, a case of bird flu was reported from Jiangxi and Fujian. The continuing seriousness of the situation was highlighted in remarks made by Vice-Premier Hui Liangyu (16 December):

> At present, avian flu is still rampant in China. Since the prevention and control system is not sufficiently perfect, there are still hidden dangers of the occurrence of the epidemic. All localities and departments should never relax in their efforts or become apathetic about their work. … They should put people's health and life security above everything else. … [T]hey should strictly carry out the system for monitoring, diagnosing, and reporting the epidemic. … [T]hey should continuously strengthen immunization work and ensure its effectiveness and quality. … [T]hey should continuously strengthen medical surveillance and epidemiological surveys. … [I]t is necessary to make a concerted effort in avian flu research [including accelerated development of appropriate vaccines and the establishment of emergency facilities]. … [W]e should promote transformation of livestock rearing methods and improve the condition and environment for raising poultry… (XHNA, 16 Dec.).

On 22 November, it was announced that water supplies in Harbin (capital of Heilongjiang, with a population of three million) would be interrupted for four days in order to contain problems resulting from contamination of the River Songhua caused by a recent chemical plant explosion. All bathhouses and car-wash facilities in the city were also ordered to cease operations during the four-day period. Some industrial enterprises were forced to close down, although many remained unaffected; but all primary and middle schools were closed. An official at the State Environmental Protection Administration (SEPA) later admitted that the chemical explosion had caused serious pollution.

Following the incident, a hotline was set up to inform Russian environmental protection agencies of the level of contamination of the Songhua River. A Russian television station announced on 25 November that a

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state of emergency would be introduced that day in Khabarovsk Territory in Eastern Siberia. In Harbin itself, water supplies were restored on 27 November, and schools re-opened on 30 November.

The Harbin incident attracted considerable media attention (e.g., see Hong Kong, *Dagong bao*, 25 Nov. and *Wen Wei-po* [*Wenhui bao*], 26 Nov.). Its seriousness was later acknowledged in a statement that at its peak, the density of nitrobenzene in the water of the Songhua River was almost 26 times higher than usual (see also XHNA, 30 Nov. on the lessons of the incident; and XHNA, 2 Dec., reporting a CCPCC and State Council circular on handling "unexpected events").

(e) *Economic Affairs*

The influence of the new "scientific" approach to development was observable in the discussions of the annual Central Economic Work Conference, which closed in Beijing on 1 December. Alongside a rehearsal of significant progress in China's economic development, the meeting also drew attention to "longstanding contradictions and problems in economic development as well as some new circumstances and problems cropping up at the present." Thus:

> The extensive mode of economic growth, uneven development between urban and rural areas, imperfect systems and mechanisms, and problems affecting economic safety and the masses' vital interests remain. Meanwhile, there are still some uncertainties in the external environment of China's development.

The key to resolving such difficulties lay in strict adherence to the principles of sustainability and "people-centredness" in order to facilitate "economic and social development along the track of scientific development." To this end, it was imperative to fulfil the following core tasks:

- "to maintain the continuity and stability of the macro economic policy … [by] striving to expand domestic demand, … readjust relations between investment and consumption, … strengthening the role of residents' consumption in pulling economic growth; … continuing to implement the prudent fiscal and currency policies, adjusting financial expenditure and currency credit structure, and facilitating the readjustment of economic structure and the change in economic growth mode;"
- to achieve more co-ordinated development between urban and rural areas, and between regions (including "building new socialist rural areas");
- to intensify efforts to create "an independent innovation capability as the strategic base for scientific and technological development and as the central link for readjusting the industrial structure and changing the growth mode;"
- to strengthen reform, including the provision of an appropriate institutional framework in which the "scientific development concept" could be implemented;

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- to promote social harmony and facilitate a more equitable distribution of the benefits of reform and development.

The economic work conference also decided to intensify efforts to boost agricultural production and rural development, and to help raise farmers' incomes in 2006. Both Hu Jintao and Wen Jiabao addressed the meeting (*RMRB* editorial, 2 Dec.; XHNA, 1 Dec.).

The Director of the NBS "Department of National Economy" (Xu Xianchun) predicted that during the first 20 years of the 21st century, China's GDP growth would average about 8 per cent. Between 2006 and 2010, economic growth would be 8.5 per cent p.a., falling to an expected 8 per cent during 2010–15. By 2010, per capita GDP would reach 19,000 *yuan*; and over 40,000 *yuan* by 2020. Consumption rate was expected to exceed 60 per cent, he said (XHNA, 17 Nov.).

On 20 December Li Deshui ("Commissioner" of the National Bureau of Statistics (NBS)) announced that, as a result of China's first economic census, it had been necessary to make an upward revision by 16.8 per cent of China's GDP for 2004, as a result of which China overtook Italy to become the world's sixth-largest economy. The sectoral implications of the revision were captured in a decline in the secondary sector's contribution to GDP from 52.9 to 46.2 per cent, and a rise in that of the tertiary sector from 31.9 to 40.7 per cent. In short, most of the revision was necessitated by upward adjustment of the value of service-sector activities. The primary sector's contribution to GDP was revised downwards from 15.2 to 13.1 per cent (XHNA, 20 Dec.; for comments on the census, see *RMRB*, 21 Dec.).

The Minister of Labour and Social Security (Tian Chengping) was quoted as saying that China would seek to keep the rate of unemployment among registered urban workers at below 5 per cent during the period of the 11th Five-Year Programme. Fulfilment of this goal would require finding new jobs for 45 million people (XHNA, 16 Nov.). By 2010, said Tian, the total number of skilled workers was expected to exceed 100 million (including 5.5 million technicians and senior technicians).

A Xinhua report noted the severe energy in the Yangtze River Delta region. It revealed that energy shortages typically forced factories in the region to operate for only four days a week – and in Zhejiang blackouts averaged over 11 days per month in the first half of 2004. According to Zhou Dadi (Director of the National Development and Reform Commission's Energy Institute), the shortages mainly reflected structural irrationalities, wasteful energy use and the impact of economic overheating. The abolition of the Ministry of Energy and the division of its previous responsibilities among several ministries had also contributed to the problem, although better co-ordination was expected, following the establishment (May 2005) of the Leading Group on Energy Development (XHNA, 3 Oct.).

China's oil resources were said to be increasing, having entered a stage of "low growth." At the end of 2004, accumulated reserves (including

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crude oil and condensate oil) were estimated to be 24.844 billion tons – 5.4 per cent more than a year previously. Its accumulated established recoverable oil reserve was 6.791 billion tons (up by 3.4 per cent); the remaining recoverable oil reserve was 2.491 billion tons (up 2.4 per cent). China's reserve-production ratio was described as being at a "reasonable" level (10 Nov.; see also XHNA, 10 Dec.).

Xinhua also reported that China planned to build new mining capacity sufficient to produce 300 million tons of coal during 2006–2010, taking national production capacity to 2.4 billion tons. By 2010, China would have in place five or six coal enterprises, each capable of producing 100 million tons (for the opening of the first such mine, located on the border of Shaanxi and Inner Mongolia, see XHNA, 30 Dec.). Meanwhile, the number of small-scale mines would be reduced to less than 10,000 (XHNA, 2 Nov.).

On 28 October, China's largest state-owned bank – the Industrial and Commercial Bank of China (ICBC) – became a joint-stock company. It was inaugurated with registered capital of 248 billion *yuan* (US$30.6 billion). The change of status took ICBC closer towards its planned market listing (XHNA, 28 Oct.).

A survey of China's foreign trade performance in the first half of 2005 noted that alongside strong growth in exports and imports many domestic firms were beginning to feel the effects of overseas competition and other challenges now that the three-year post-WTO transition period was coming to an end. In particular, in the face of anti-dumping allegations and protectionist measures adopted overseas (especially in some developed countries), Chinese businesses were shifting from their previous "quantity-worship" towards a much more quality-orientated trade strategy (XHNA, 7 Oct.).

Elsewhere, Wang Shichun (Director of the Fair Trade Bureau under the Ministry of Commerce) spoke of evidence of trade frictions facing China, highlighting five major issues that required attention. These were:

1. the strong momentum of EU anti-dumping investigations against China;
2. the large number (337) of intellectual property rights investigations against China instituted by the US and the tightening of its regulations on anti-dumping behaviour;
3. the emergence of 'new hotspots' of trade friction, involving a number of developing countries (including India, Turkey, South Africa and Colombia);
4. the launching, since July 2005, of five special safeguard investigations against China;
5. the spread of trade frictions "from the microeconomic level of products and enterprises to the macroeconomic level of our policies, structure and systems" (XHNA, 7 Oct.).

Sources in the Chinese Ministry of Commerce (MOFCOM) were reported to have projected China's cumulative investments overseas to

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reach US$60 billion within five years. This compared with a total of $44.8 billion at the end of 2004. MOFCOM statistics showed that during January–September 2005, China invested $5.1 billion abroad – a year-on-year increase of 138 per cent (XHNA, 29 Oct.).

On 10 October, the Asian Development Bank (ADB) unprecedentedly launched *renminbi*-denominated ("Panda") bonds, worth 1 billion *yuan* (c. US$125 million) and with a maturity of 10 years, in China's domestic capital market. Mikio Kashiwagi (ADB Treasurer) described the initiative as a "major step forward" in developing the Chinese capital market. He noted that the proceeds would be used to fund private sector development projects in China (XHNA, 10 Oct.).

(f) *Military Affairs*

A Hong Kong source reported that personnel changes were under way in China, as younger officers from the navy and air force assumed new and important positions (*SCMP*, 22 Dec.). Most significant of all was the expected retirement of General Xiong Guangkai (Deputy Chief of General Staff of the People's Liberation Army (PLA)). The *SCMP* report pointed out that Xiong was one of the last senior appointees of former President Jiang Zemin to retire. It noted too that recent naval and air force promotions had favoured officers with strong technological capabilities.

Subsequently, another Hong Kong source published a list of senior officers in the PLA's General Headquarters, following further personnel changes (*Wenhui bao*, 25 Dec.). They included the following appointments in the General Staff and General Political Departments:

General Staff Department

- Chief of the General Staff: General Liang Guanglie.
- Deputy Chiefs of the General Staff: General Ge Zhenfan, General Zhang Li, Lt.-General Xu Qiliang, and Vice Admiral Wu Shengli.
- Assistants to the Chief of the General Staff: Lt.-General Li Yu, Maj.-General Zhang Qinsheng.

General Political Department

- Director: General Li Jinai.
- Deputy Directors: Lt.-General Liu Yongzhi, Lt.-General Sun Zhongtong, and Lt.-General Liu Zhenqi.
- Assistants to the Director: Vice-Admiral Tong Shiping and Lt.-General Jiang Jichu.

(g) *Space Technology*

On 12 October, Wen Jiabao viewed the successful launch of China's second manned spacecraft (Shenzhou 6) from the Jiuquan Satellite Launch Centre, in Gansu Province. He reaffirmed the Chinese government's commitment to the development of space technology for

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purely peaceful purposes and expressed its willingness to co-operate with other countries in such development. Xinhua noted that the latest space mission would be China's first "human-controlled space scientific experiment programme," and revealed that the two astronauts on board Shenzhou 6 would undertake scientific experiments during their 119-hour orbiting around the Earth (XHNA, 12 Oct.; see also *RMRB*, 12 Oct.).

The Chinese spacecraft returned to Earth in Inner Mongolia early in the morning of 17 October, after a voyage lasting 155.5 hours. Chinese television showed live pictures of the two astronauts emerging from their re-entry space capsules. The flight was later described as having been a "complete success" (see XHNA, 17 Oct. for more details; also *RMRB*, 17 Oct.). Tang Xianming (Director of the China Manned Space Engineering Office) was reported as saying that Chinese "taikonauts" would conduct a space walk in 2007, and that China would launch target fliers and conduct rendezvous docking in orbit at some between 2009 and 2012. Meanwhile a Moon-circling satellite would be developed. Tang added that the main purpose of the Chinese manned space programme was to construct a permanent space station (see also ZTS for reports of Sino-Russian plans to undertake a joint lunar landing).

(h) *Obituary*

Xinhua reported the death, on 26 October, of China's former Vice-President, Rong Yiren. He was 89 (see XHNA, 3 Nov. for details of Rong's funeral and accompanying eulogies).

Xinhua also announced the death, on 24 December, of Wang Daohan – China's chief negotiator on Taiwan affairs (see XHNA, 29 Dec. for eulogies).

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

On 12 October, Hong Kong's Chief Executive, Donald Tsang, delivered his 2005–06 policy address to the Legislative Council (see relevant Hong Kong Government website, 12 Oct.). He noted important changes that had taken place since the previous year's address – most notably, the maintenance of the momentum of the recovery of economic and social conditions.

Tsang began by addressing issues of governance. A strong government was, he said, essential to the implementation of the principle of "one country, two systems" to the achievement of social harmony, and to the successful pursuit of economic growth. On behalf of the HKSAR administration, he affirmed his determination to fulfil the requirements of the Basic Law and all other associated governmental responsibilities – and to do so with maximum transparency. He also undertook to seek to strengthen relations between his administration and the Legislative Council in order to create a political and social environment "conducive to effective governance."

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He stressed the importance of good relations between Hong Kong and the Chinese government. The fact that both parties shared a "common interest and destiny" highlighted the need to engage in even closer dialogue and to achieve greater co-operation. The establishment in Beijing of the Office of the Government of the HKSAR and, in Guangdong, of the Hong Kong Economic and Trade Office were emblematic of the shared interests of China and Hong Kong. It was against this background and in order to enhance co-operation with eastern and south-western China that discussions would take place for the setting up of additional offices in Shanghai and Chengdu. Tsang also revealed that a "Mainland Affairs Liaison Office" would be established within the Constitutional Affairs Bureau in order to strengthen ties with the mainland – and, in particular, with Guangdong and the Pan-Pearl River Delta (Pan-PRD).

In the further interests of strengthening local governance, the Chief Executive announced two other institutional initiatives: one was to expand the membership of the Executive Council and of the Commission on Strategic Development; the other was to extend the role of district officers – especially in order to improve cross-departmental services in districts – as well as that of district councils. Finally, Tsang unveiled plans to reorganize the Chief Executive's Office.

On constitutional development, Donald Tsang referred cautiously to the broad objective of achieving universal suffrage "in the light of the actual situation in Hong Kong." He spoke of the work of the Constitutional Development Task Force, and said that its report – "to be published later" – would set out proposals for amending the methods for selecting the Chief Executive in 2007 and forming the Legislative Council in 2008. He was at pains to point out that any such proposals would have to comply with the provisions of the Basic Law and the April 2004 "Interpretation and Decision" of the NPCSC.

A major theme in the policy address was the need to strengthen "social harmony" by building on Hong Kong's traditions of clean government, the rule of law under an independent judiciary, the free flow of information, and providing a level playing field for business (Tsang noted that the Competition Policy Review Committee would complete its review of competition policy by mid-2006). Tsang praised the work of the Independent Commission Against Corruption (ICAC) and spoke of his determination to combat corruption in all its forms. He acknowledged the need for the Chief Executive's office to be subject to anti-corruption regulation.

The government's prioritization of improving social security provision had already been made explicit through the establishment, earlier in 2005, of the Comprehensive Social Security Assistance Scheme. Another important institutional initiative had been to set up a "Commission on Poverty," designed to co-ordinate policies and facilitate the implementation of district-based poverty alleviation measures. The ethos behind such initiatives was "to help people to help themselves, with a focus on increasing employment and reducing inter-generation poverty." To this end, future efforts would be directed towards helping those who were capable of working to move "from welfare to self-reliance."

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Tsang conceded that economic recovery notwithstanding, living conditions of some employees remained seriously depressed. It was against this background that the Labour Advisory Board was investigating issues related to the institution of a minimum wage and standard working hours. The government would also continue its efforts to combat the employment of illegal workers.

The Chief Executive also outlined new measures, intended to improve environmental conditions in Hong Kong.

Turning to economic affairs, Donald Tsang was at pains to emphasize Hong Kong's role as "Asia's world city," as well as a leading international financial centre. He said that the strengthening of its ties with the international community would be facilitated by further initiatives, such as the hosting of the Sixth Ministerial Conference of the World Trade Organization (Dec. 2005) and the planned establishment of a new European economic and trade office. Hong Kong's future economic interests would also continue to benefit from the momentum of rapid economic growth in China. Not least, the expected announcement of new arrangements under the China and Hong Kong Closer Economic Partnership Arrangement (CEPA III) (the legal text of CEPA III was signed on 18 Oct. – see XHNA) would reinforce the benefits already derived as a result of CEPA I and II by giving more Hong Kong products tariff-free access to the mainland, and extending the scope of liberalization in existing CEPA service sectors.

Tsang drew particular attention to the importance of the Pan-Pearl River Delta (PRD) regional co-operation initiative, launched in 2004. This promised to extend Hong Kong's economic influence from the relatively narrow confines of the PRD to the huge market in southern and central China, embracing a population of 450 million. The HKSAR government would seek to promote the vigorous development of the Pan-PRD scheme, while not neglecting the opportunities that still existed for narrower cross-border Hong Kong-Guangdong economic co-operation.

On 4 December tens of thousands of Hong Kong residents were reported to have taken place in demonstrations in support of universal suffrage. A report from Hong Kong later quoted Wen Jiabao as saying that he was "very concerned" about political developments in the SAR (*SCMP*, 6 Dec.).

A survey conducted by the Hong Kong Census and Statistics Department revealed that the last ten years had witnessed a rise in the number of Hong Kong people working in the Chinese mainland from 2,300 to 237,500 (7.2 per cent of the total labour force). The great majority of these were in the employ of Hong Kong companies. Their functional occupations were divided between manufacturing (47.1 per cent), wholesale, retail and import-export trade (32.1 per cent), and other services (17.6 per cent). 87.3 per cent worked in Guangdong province, especially Shenzhen (38 per cent) and Dongguan (29.5 per cent), other favoured destinations being Shanghai and Beijing (XHNA, 29 Nov.).

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In December, the HKSAR government hosted the Sixth World Trade Organization (WTO) Ministerial Conference (see HKSAR government website and other Hong Kong sources, 13 Dec. et seq., incl. reports of anti-WTO protests).

2. Foreign Relations

(a) *Diplomatic Tours*

Hu Jintao's visits to the United Kingdom (UK), Germany, Spain and South Korea

Following his arrival in London, at a speech at a welcoming banquet hosted by Queen Elizabeth II, Hu Jintao spoke of the "important historical responsibilities and broad common interests in safeguarding world peace, promoting common development and coping with various challenges," which China and the UK shared. He expressed the willingness of the Chinese government to work with the UK in order both to enhance bilateral relations and also generate peace and prosperity throughout the world. He referred to the "comprehensive strategic partnership" between China and the UK, and the growing co-operation which such ties had facilitated (XHNA, 9 Nov.).

Earlier the same day, Hu Jintao held talks with the British Prime Minister, Tony Blair. Both men expressed satisfaction with the momentum of development of bilateral relations, and agreed that they should work towards even closer ties. In urging that both sides should consider "from a strategic vantage point and a long-term view," Hu made four proposals: to maintain the momentum of existing high-level exchanges and interactions; to strengthen political dialogue and co-operation; to deepen bilateral co-operation in trade and investment, finance, energy, science and technology, education and culture, environmental protection, and sustainable development; and to "handle appropriately issues of major concern to each other." Blair stated that China's rapid development should be viewed as an important opportunity, not a threat. He expressed "complete agreement" with Hu's proposals on strengthening bilateral relations. The two leaders also exchanged views on major regional and international issues (*ibid.*).

On 10 November, the Chinese President arrived in Berlin on his first state visit to Germany. Later the same day, he held talks with the German President, Horst Koehler, focusing on international issues of common concern. Hu attributed the smooth development of ties between Germany and China to the strong political foundation of their relationship and to both sides' determination to strengthen the bond between them. He called on German business to increase investment in China (including co-operating in the development of nuclear energy). For his part, Koehler reaffirmed the German government's commitment to enhancing its relations with China. Subsequently, the two men attended a signing ceremony for a number of documents on co-operation in transportation, telecommunications, medicine and health care, and culture (XHNA, 10 Nov.). A

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German source interpreted Koehler's "openly expressed admonitions [to Hu] democratize and respect human rights" as an indication of "a slight change" in German-Chinese relations (Berlin, DDP News Agency, 10 Nov.).

On 11 November Hu Jintao met the outgoing German Chancellor, Gerhard Schroeder. He praised Schroeder's contribution towards the promotion of friendly bilateral relations during the seven years in which he had been Chancellor, noting the significant expansion of trade and economic co-operation. Schroeder insisted that adherence to a "one China policy" was and would remain the cornerstone of German policy towards China, and said that the new German government would continue to promote co-operative relations. The two men also exchanged views on international and regional issues of common concern (XHNA, 11 Nov.).

Reporting Hu's arrival in Madrid, where he was welcomed by King Juan Carlos, Xinhua noted that trade between China and Spain had reached US$7.2 billion in 2004 – 37 per cent above the 2003 level – and had increased, year on year, by 59 per cent during January–July 2005.

On 14 November the Chinese President held talks with the Spanish Prime Minister, Jose Luis Rodriguez Zapatero. Both men spoke of their desire to strengthen relations between their two countries and noted the favourable momentum of the development of trade, economic and political relations. Following their discussions, the two sides announced their agreement to establish a comprehensive strategic partnership. Hu and Zapatero also attended a signing ceremony of 16 bilateral agreements (XHNA, 14 Nov.).

The last leg of his tour took Hu Jintao to Seoul, where (15 November) he spoke of the "important" contribution to regional peace and development made by the rapid expansion of co-operation between China and South Korea. In a speech to the South Korean National Assembly, Hu urged Asian countries to strengthen regional co-operation through more non-governmental exchanges and an increase in mutual trust (XHNA, 17 Nov.).

Following Hu's talks with South Korean government leaders, the two sides issued a joint communiqué in which they pledged to promote closer economic relations and agreed to double the volume of bilateral trade to US$200 billion by 2012.

Wen Jiabao's visit to France, Slovakia, the Czech Republic, Portugal and Malaysia

Wen Jiabao arrived in Toulouse on 4 December at the start of a four-day official visit to France, during which he met state and government leaders, including President Jacques Chirac and Premier Dominique de Villepin. During his stay in Toulouse, Wen attended a ceremony witnessing the signing of a memorandum of understanding on extending

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co-operation between the Chinese civil aviation industry and the European manufacturer, Airbus.

In Paris, the Chinese Premier held talks with his French counterpart, Dominique de Villepin. The two men agreed on further strengthening the China-France comprehensive and strategic partnership in order to further enhance bilateral relations. Wen noted that recent years had seen the rapid development of economic and technological co-operation between China and France, alongside which trade had also steadily expanded. He put forward a five-point proposal, including making provision for "timely" exchanges of views on international issues, intensifying strategic dialogue, and promoting co-operation and co-ordination in international affairs. De Villepin endorsed Wen's remarks and reiterated the importance attached by the French government to its relations with China. The two sides signed 16 co-operation agreements (details in XHNA, 5 Dec.).

Following his arrival in Bratislava (7 December), Wen Jiabao held talks with the Slovakian President, Ivan Gasparovic and Premier Mikulas Dzurinda. Representatives of China and Slovakia later signed a number of agreements on investment protection and communications co-operation.

On 8 December, the Chinese Premier arrived in Prague for discussions with Czech officials (including President Vaclav Klaus and Premier Jiri Paroubek) on bilateral relations. The two sides signed a number of bilateral co-operation agreements (see XHNA, 8 Dec. for the two sides' joint declaration).

The following day, Wen Jiabao flew to Lisbon, where he met President Jorge Sampaio, Premier Jose Socrates and other Portuguese officials. A joint statement revealed that the two sides had agreed to establish an "all-around strategic partnership," designed to strengthen bilateral ties. It looked forward to economic, political, educational and scientific, health and cultural co-operation. Portugal undertook to make further efforts to bring about the lifting of the European Union's arms embargo against China and to press the EU to recognize China's market economy status. Other co-operation agreements were also signed (XHNA, 9 Dec.).

Wen arrived in Kuala Lumpur on 11 December. His visit to the Malaysian capital afforded him the opportunity not only to exchange views with Malaysian officials, but also to attend the Ninth China-ASEAN and ASEAN Plus China, Japan and the Republic of Korea Summit, and the first East Asia Summit (for details of these meetings, see under "International Organizations").

On 15 December, Wen discussed ways of strengthening ties between China and Malaysia with Premier Abdullah Ahmad Badawi. Wen said that China was anxious to extend co-operation through more high-level exchanges, strategic co-operation and the further expansion of trade and other forms of economic co-operation. Badawi's comments echoed these remarks (XHNA, 15 Dec.). A joint communiqué issued by the two sides noted their intention to raise two-way trade to US$50 billion by 2010.

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(b) *Countries, Territories and Regions*

Africa (Equatorial Guinea, Ethiopia, Lesotho, Namibia, Burundi)

The President of Equatorial Guinea (Teodoro Obiang Nguema Mbasogo) arrived in Beijing on 19 October for a six-day working visit to China. Hu Jintao told Obiang of his satisfaction with the level and growth of bilateral relations, and spoke of his government's gratitude for Equatorial Guinea's adherence to the one-China stance and support for China's "peaceful reunification." He looked forward to closer trade and economic co-operation, especially in agriculture, forestry and fisheries, infrastructural development, and oil and gas exploration. Obiang's remarks echoed those of the Chinese President (XHNA, 20 Oct.).

Obiang also met Premier Wen Jiabao (XHNA, 21 Oct.). For the text of the two sides' joint communiqué, see XHNA, 21 Oct.

In November the Ethiopian Foreign Minister (Mesfin Seyoum) held talks in Beijing with his Chinese counterpart, Li Zhaoxing, and other Chinese government officials. His discussions focused on bilateral and regional issues. Vice-President Zeng Qinghong praised the role of the China-Africa Co-operation in helping promote closer ties between China and African countries.

The Prime Minister of Lesotho (Pakalitha Mosisili) visited China in December. He reaffirmed his government's adherence to its one-China policy and its support for peaceful reunification. He also expressed his appreciation for China's economic assistance, and noted China's involvement in the construction of telecommunication facilities in Lesotho. Wen Jiabao told Mosisili that the Chinese government wished to promote high-level exchanges as a means of strengthening political and economic relations with Lesotho. It would also continue to provide aid in support of Lesotho's economic and social development. Mosisili also met President Hu Jintao (XHNA, 1 Dec.).

Also in December, the President of Namibia (Hifikepunye Pohamba) visited China, where he held talks with Hu Jintao, Wen Jiabao and other Chinese officials. Hu said that China's relations with Namibia had reached a new phase of development, and looked forward to a steady expansion of economic and political co-operation (XHNA, 19 Dec.).

Finally, on 22 December, the Chinese Foreign Minister, Li Zhaoxing, held talks in Beijing with his counterpart from Burundi (Antoinette Batumubwira).

Central and Eastern Europe (Hungary, Serbia and Montenegro, Romania)

In October, the Hungarian Foreign Minister (Somogyi Ferenc) held talks in Beijing with his Chinese counterpart, Li Zhaoxing. The two men exchanged views on bilateral relations, as well as on regional and international issues of common concern (XHNA, 24 Oct.).

The same month, the Foreign Minister of Serbia and Montenegro (Vuk Draskovic) also travelled to China, where he held talks with senior

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officials, including Vice-President Zeng Qinghong and Vice-Foreign Minister Zhang Yesui (XHNA, 26 Oct.).

On 26 November the Romanian Foreign Minister (Mihai-Razvan Ungureanu) flew to China in order to exchange views on bilateral relations, regional and international issues with Li Zhaoxing.

Commonwealth of Independent States (Russia, Belarus)

On 26 October Premier Wen Jiabao arrived in Moscow to participate in the Fourth Meeting of Prime Ministers of the Member States of the Shanghai Co-operation Organization (SCO) (full text of the SCO communiqué available in XHNA, 26 Oct.). During the course of the SCO meeting, Wen had separate talks with the Prime Ministers of Kazakhstan (Daniyal Akhmetov), Kyrgyzstan (Feliks Kulov), Pakistan (Shaukat Aziz), Mongolia (Tsakhiagiyan Elbegdorj), and with the Iranian First Vice-President (Parviz Davudi).

During his stay in Moscow, Wen held talks with the Russian President, Vladimir Putin. The two men were reported to have reached a broad consensus on bilateral relations and international issues of mutual concern.

Following the tenth regular meeting of heads of government of Russia and China (Beijing, 3 Nov.), the two countries' prime ministers – Mikhail Fradkov and Wen Jiabao – signed a joint communiqué (XHNA, 3 Nov., which also has details of other agreements signed by the two sides). During their talks, Wen suggested ways in which co-operation between the two countries – in trade, energy, science and technology, health, education and culture – could be further strengthened. He noted that in the ten years in which heads of government meetings had taken place, the two sides had concluded 79 agreements. The value of two-way trade had meanwhile risen from US$5.46 billion to $21.2 billion (2004). He also noted that bilateral relations were at their "best development phase in history." The two sides also exchanged views on major international issues (*ZXS*, 3 Nov.).

On 4 December, the Belarusian President (Alyaksandr Ryhoravich Lukashenka) arrived in Beijing for talks with Chinese government officials. It was his third presidential visit to China. Following talks between Lukashenka and Hu Jintao, 12 co-operation documents were signed, including a memorandum of understanding granting each other full market economy status (XHNA, 5 Dec.; for text of the two sides' joint statement, see XHNA, 6 Dec.).

Japan

On 17 October, the Chinese Foreign Minister (Li Zhaoxing) summoned the Japanese ambassador to China (Koreshige Anami) in order to lodge an official protest against the most recent visit by the Japanese Prime Minister, Junichiro Koizumi, to the Yasukuni War Shrine (Tokyo, Kyodo, 17 Oct.). Meanwhile, a condemnatory statement was also issued by the Chinese Foreign Ministry.

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Li Zhaoxing's statement spoke of Koizumi's visit as having "wantonly hurt the feelings and dignity of the people of victimized countries, and of seriously undermining Sino-Japanese relations … [by helping] Japanese right-wing extremist forces distort and negate the history of aggression" (see also XHNA, 4 Nov.).

On 18 October, a Chinese Foreign Ministry spokesman announced that China had cancelled a planned visit by Japanese Foreign Minister (Nobutaka Machimura) later in the month because of the "current gloomy situation" (XHNA, 18 Oct.).

Latin America (Bolivia)

On 22 November the Chinese Foreign Minister (Li Zhaoxing) held working talks in Beijing with his Bolivian counterpart, Armando Loayza Mariaca. The two men discussed bilateral, regional and international issues. Loayza also met Vice-President Zeng Qinghong.

Middle East and North Africa (Iran, Jordan)

On 13 October, the Foreign Minister of Iran (Manuchehr Mottaki) arrived in China to hold talks with Chinese leaders on the further development of bilateral relations, and exchange views on other regional and international issues. In advance of the visit, a Chinese Foreign Ministry spokesman expressed the hope that the Iranian nuclear issue would be resolved within the framework of the International Atomic Energy Agency (IAEA) through peaceful negotiations between Iran, the European Union and "other parties" (XHNA, 13 Oct.).

In December King Abdallah II of the Hashemite Kingdom of Jordan held talks in Beijing with Hu Jintao and other Chinese government officials. Discussions focused on bilateral relations, as well as important regional and international issues (including terrorism). Hu made a three-point proposal for the further development of China–Jordan relations, embracing further high-level exchanges, an expansion of trade and economic co-operation (especially in investment, technology and personnel training), and strengthened consultation and co-operation in regional and international affairs. The two sides also signed a number of documents on economic and technological bilateral co-operation (XHNA, 12 Dec.).

North-east Asia (North Korea [Democratic People's Republic of Korea], Mongolian Republic)

Hu Jintao was in Pyongyang between 28 and 30 October on what was described as an "official goodwill visit" to North Korea. Xinhua reported that Hu would meet DPRK party and state leaders, with whom he would discuss bilateral relations, and international and regional issues of shared interest (XHNA, 28 Oct.; see also *RMRB*, 29 Oct.).

Following the conclusion of Hu's visit, the Director of the CCPCC's International Liaison Department, Wang Jiarui, revealed that the Chinese

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President had held talks with General Secretary Kim Jong-il; Kim Yong-nam (President of the Supreme People's Assembly Presidium) and other DPRK leaders (XHNA, 30 Oct.). The two sides had "in-depth" exchanges of views and achieved "wide-ranging consensus" on relations between the two countries and parties, the nuclear issue on the Korean Peninsula, and other international and regional issues. Wang listed four main achievements arising out of the visit. These were:

- agreement on the future development of bilateral relations ("General Secretary Hu Jintao and General Secretary Kim Jong-il unanimously agreed to continue to forge closer high-level exchanges and contacts and strengthen mutual communication; to expand the areas of exchange and enrich the substance of co-operation; to promote economic and trade co-operation to facilitate common development; and to actively carry out co-ordination to safeguard common interests");
- reaffirmation by both sides to continue to use dialogue to seek a peaceful solution to the nuclear issue on the Korean Peninsula through dialogue (to which end DPRK committed itself to attending the fifth round of the six-party talks);
- agreement to further promote China-DPRK trade and economic co-operation (a bilateral agreement on economic and technical co-operation was signed during Hu's visit);
- enhanced understanding of and mutual support of each country's economic construction. (See also ZTS, 30 Oct., which quoted Hong Kong, *Wen Wei Po* [*Wenhui bao*] to the effect that China had undertaken to provide long-term aid of "US$ 2 billion or so" in order to help recovery of the North Korean economy (especially its heavy industrial sector).

For a report of a meeting on 24 December between the Vice-Premiers Zeng Peiyan of China and Ro Tu-chol of North Korea, see XHNA (24 Dec.).

On 27 November, the Mongolian President (Nambaryn Enhbayar) arrived in Beijing to begin a state visit to China. Enhbayar discussed bilateral relations and other regional issues with Li Zhaoxing and other senior Chinese government officials. Both he and Hu Jintao agreed to seek closer ties by means of strengthening inter-parliamentary, inter-governmental and inter-party exchanges; extending educational and cultural co-operation; and engaging in consultation in regional and international affairs. Hu also hoped that Mongolia would use its observer status to contribute to the work of the Shanghai Co-operation Organization (SCO) (XHNA, 28 Nov.). The two leaders later attended a ceremony to mark the signing of ten co-operative documents.

Southeast Asia (Singapore, Vietnam)

The Singaporean Prime Minister and Minister for Finance (Lee Hsien Loong) arrived in Beijing on 24 October to begin his first official visit to

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China since taking office in 2004. In subsequent talks, both Lee and Wen Jiabao reaffirmed their determination to further strengthen bilateral political and economic co-operation. Xinhua noted that Singapore was China's seventh-largest trading partner and eighth-largest source of overseas investment. The value of two-way trade during January–August 2005 was US$21 billion, compared with $26.7 billion during the whole of 2004 (XHNA, 25 Oct.).

Lee also met Hu Jintao, who spoke of the Chinese government's wish to enhance exchanges with member states of the Association of Southeast Asian Nations (ASEAN) in the interests of more effective East Asian regional co-operation (XHNA, 26 Oct.).

On 31 October, Hu Jintao arrived in Hanoi on a goodwill visit to Vietnam, designed to further strengthen inter-party and inter-country relations (see XHNA, 31 Oct. for the statement made by Hu on his arrival). Later the same day, he held talks with Nong Duc Manh (General Secretary of the Central Committee of the Communist Party of Vietnam [CPV]) and the Vietnamese President, Tran Duc Luong. The two sides were reported to have reached "extensive consensus" on bilateral relations, and on regional and international issues of shared concern. After their meeting, the three men held a signing ceremony at which a number of agreements were signed, including an "Agreement Between China and Vietnam on Economic and Technological Co-operation" (XHNA, 31 Oct.).

The following day, Hu met the Vietnamese Prime Minister, Phan Van Khai. Hu noted the steady development of trade and economic co-operation between China and Vietnam. Two-way trade had risen from US$30 million (1991) to $6.74 billion (2004), as a result of which China had become Vietnam's largest trading partner. The Chinese President pointed out that complementarity between the two countries' economies favoured the continuing expansion of economic ties. These sentiments were echoed in the remarks of Phan Van Khai (XHNA, 1 Nov.).

Wang Jiarui (Head of the CCPCC's International Department) later said that Hu Jintao's visit had brought relations between China and Vietnam to a new level.

Taiwan [Republic of China]

It was reported by the Bureau of Foreign Trade (BOFT) under the Ministry of Economic Affairs that the value of cross-Straits trade rose by 15 per cent during the first eight months of 2005 to reach US$45.6 billion and 18.9 per cent of Taiwan's global trade. Exports to the mainland increased by 11.7 per cent to $32.74 billion (27.1 per cent of all Taiwan's exports – up 1.2 percentage points). Imports from China were valued at $12.87 billion – an increase of 24.5 per cent compared to the same period of 2004. Such imports constituted 10.7 per cent of Taiwan's global imports (up 1.1 per cent). Concealed in these figures was a Taiwanese

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trade surplus of $19.87 billion – 4.7 per cent more than in January–August 2004.

The statistics confirmed that Taiwan was China's third-largest source of imports, behind Japan and South Korea (CNA, 30 Oct.).

Later in the quarter, Zheng Lizhong (Deputy Director of the State Council's Taiwan Affairs Office) stated that China was now Taiwan's largest export market. Zheng cited official statistics, which showed that between 1988 and the end of October 2005, 67,764 Taiwan-invested business projects had been approved on the mainland, with a contractual value of US$87.7 billion. During the same period, the cumulative value of merchandise trade was US$477.6 billion, generating a trade surplus for Taiwan of more than $320 billion. In addition, over 37 million Taiwan residents had visited China (XHNA, 22 Nov.).

United States of America

The US Defence Secretary, Donald Rumsfeld, arrived in Beijing on 18 October for a three-day visit at the invitation of the Chinese Defence Minister and Vice-Chairman of the Central Military Commission (Cao Gangchuan). It was Rumsfeld's first visit to China as Defence Secretary (XHNA, 18 Oct.; see also *ZXS*, 18 Oct.).

Following his talks with Rumsfeld, Cao spoke of their exchange of views on regional and international issues, as well as on the future development of relations between China and the US and their armed forces. He described their meeting as "candid, pragmatic, and constructive" – an opinion echoed in remarks made by Rumsfeld. Both sides looked forward to interaction and co-operation between the two countries as a means of enhancing overall bilateral relations. They agreed to work towards placing military relations on a level "commensurate with the relations with the two countries" (*ZXS*, 19 Oct.).

Later Rumsfeld met President Hu Jintao (Chairman of the Central Military Commission), who noted the Sino-US relations were generally progressing well. He hoped that this momentum would be maintained and strengthened, not least through closer relations between the two countries' armed forces (XHNA, 19 Oct.).

The following month, Beijing, President George W. Bush arrived in Beijing for a three-day visit to China at the invitation of his Chinese counterpart. It was Bush's third presidential trip to China, but the first in his second term of office.

On 20 November, Bush held talks with Wen Jiabao. The Chinese Prime Minister spoke positively of relations between China and the United States, pointing out that the two sides' common interests were increasing rather than diminishing. He reaffirmed that China remained committed to "the road of peaceful development," and insisted that its development posed a threat to no other country. He hoped that future bilateral trade and economic co-operation would serve the mutual benefit of both countries. In addition to bilateral ties, the two men discussed important international issues (XHNA, 20 Nov.).

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On the same day that Bush met Wen Jiabao, China Aviation Supplies Import & Export Group Corporation (CASGC) signed an agreement with Boeing to buy 70 B737-700/800 aircraft (worth US$4 billion). It was the biggest purchase agreement in China's aviation history, and its implementation would bring the total number of aircraft purchases from Boeing to over 600.

Discussions between Bush and Hu Jintao were described as "candid" and "frank." Xinhua reported that two men had exchanged views on bilateral ties, trade and economic co-operation, and regional and global issues (including the prevention and control of the avian influenza and the Korean nuclear question). President Hu accepted an invitation to visit the United States.

The 17th meeting of the Sino-US Joint Economic Commission (JEC) took place in Xianghe (Hebei) on 16–17 October. It was attended by the Chinese Finance Minister (Jin Renqing) and the US Secretary of the Treasury, John Snow. The agenda was dominated by issues relating to the global macroeconomic situation, and Chinese and US fiscal and monetary policies. Following the meeting, Snow held talks with the Chinese Prime Minister.

In London on 8 November, the Chinese Minister of Commerce (Bo Xilai) and US trade representative, Rob Portman, signed a memorandum on trade in textile and apparel. The agreement, effective as of 1 January 2006, would last until the end of 2008 (for more details, see XHNA, 8 Nov.).

Western Europe (United Kingdom (UK), European Union (EU))

On 14 October, the UK Chancellor of the Exchequer (Gordon Brown) held talks with Wen Jiabao on Sino-British ties and bilateral financial co-operation. Brown was in Beijing in order to attend the two-day G20 meeting of finance ministers and central bank governors.

(b) *International Organizations*

(G20; Ninth China-ASEAN Meeting, ASEAN Plus Three [China, Japan and the Republic of Korea] Summit, First East Asia Summit; United Nations (UN))

Hu Jintao addressed delegates attending the Seventh G20 Finance Ministers and Central Bank Governors Meeting, which opened in Beijing on 15 October. He spoke of the "profound and complicated changes" under way throughout the global economy, especially through the rapid development of science and technology (above all, information technology). Such changes offered major opportunities. At the same time, increasingly uneven development throughout the word, side by side with occasional "financial turbulences … and new manifestations of trade barriers and protectionism," underlined the need for stronger international

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co-operation to facilitate a more balanced and orderly pattern of global development. To these ends, Hu made four proposals (XHNA, 15 Oct.):

- to respect the diversity of development models ("the key to [countries'] sustainable development is the right choice of development models that suit their national realities");
- to strengthen dialogue and co-ordination in formulating and implementing macroeconomic policy in order to generate more balanced global development;
- to improve international economic and trading regimes and regulations ("we should … improve the international financial system, … [enhance ability to] maintain financial stability and promote development … create a fair, stable, and efficient [global] financial environment … stabilize the global energy market … support the establishment of an open, fair, reasonable and non-discriminative multilateral trading system …");
- to assist developing countries in accelerating development.

Addressing the first East Asia Summit Leaders' Dialogue (Kuala Lumpur, 12 December) the Chinese Premier, Wen Jiabao, spoke enthusiastically of China's relations with members of the Association of South-east Asian Nations (ASEAN). He noted that through the ten-plus-one co-operation mechanism, China and ASEAN had "forged a strategic partnership," and pointed out that China was the first country outside South-east Asia to accede to the regional Treaty of Amity and Co-operation. He also referred with satisfaction to on-going negotiations between China and ASEAN to establish a free trade area (the full text of Wen's speech is in XHNA, 12 Dec.).

In his speech to the Ninth China-ASEAN Summit (also 12 December), Wen proposed five initiatives to further promote relations between China and ASEAN member states. These were:

- to strengthen friendly ties between them;
- to put in place a "planned framework" for developing relations between China and ASEAN (this to be based on the report of the 'China-ASEAN Eminent Persons Group');
- to seek to fully establish a China-ASEAN Free Trade Area by accelerating the process of tariff reductions, implementing the "Agreement on Trade in Goods" and undertaking negotiations on agreements on trade in services and on investment;
- to identify new priority areas of co-operation, such as in transport, energy, public health, tourism and "culture;"
- to promote personnel exchanges (XHNA, 12 Dec., which also reported Wen's speech to ASEAN + 3).

China and the European Union (EU) held their first round of strategic dialogue in London on 22 December. Both sides stated that the talks had been "fruitful" and agreed that they would make further efforts to strengthen the Sino-EU partnership. Matters for discussion included their

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respective roles in the international system, China's peaceful development and EU integration.

3. Documentation

Chinese Communist Party Central Committee "Proposal on Formulating the 11th Five-Year Programme for National Economic and Social Development"

(Approved at the Fifth Plenum of the 16th Central Committee of the Chinese Communist Party on 11 October 2005 and published by Xinhua News Agency on 18 October (subheadings included); reproduced from BBC Monitoring Global Online, 23 October 2005.)

The 11th Five-Year Programme [*guihua*] for National Economic and Social Development … is an important programme in the course of building a well-off society [*xiaokang shehui*] in an all-around way. It is necessary to earnestly implement the spirit of the 16th National Party Congress and of the third and fourth plenary sessions of the 16th CCP Central Committee, accurately assess the domestic and international situation, and put forward development objectives, guiding principles, and overall plans that suit our country's national conditions, meet the requirements of the times, and rally the people's will.

I. A Crucial period for building a well-off society in an all-around way

(1) Tremendous achievements were scored in economic and social development during the "10–5" [10th Five-Year Plan] period. The "10–5" period was an extraordinary five years. We took Deng Xiaoping Theory and the important thinking of the "Three representations" [on the importance of the Communist Party in modernizing the nation – representing the demands for the development of advanced social productive forces, the direction of advanced culture, and the fundamental interests of the greatest majority of the people] as guidance; expressly put forward and earnestly implemented a scientific development concept and major strategic thinking on building a harmonious socialist society; firmly grasped development, which is the party's foremost task in governing and rejuvenating the country; concentrated on construction; single-mindedly pursued development; and constantly pushed reform and opening up forward. Our country's economic might, overall national strength, and international status improved markedly. We brought factors of instability and unhealthiness in the functioning of the economy under effective control; successfully overcame the challenges of the atypical pneumonia epidemic and major natural disasters; calmly dealt with new changes following our accession to the World Trade Organization; achieved sustained and fairly rapid national economic development; accelerated the pace of industrialization, urbanization, marketization, and internationalization; fulfilled the main development objectives defined in the 10th Five-Year Plan ahead of schedule; constantly deepened economic structural reforms; scaled new heights in foreign trade; increased the country's fiscal revenue by a wide margin; maintained a basic stability in the overall price level; further improved the lives of urban and rural residents; constantly consolidated ethnic unity; made new progress in various social services; and continued to strengthen the construction of socialist democratic politics and spiritual civilization. These have all laid a solid foundation for development during the "11–5" [11th Five-Year Programme] period. We stand on a new historical starting point as we face the future.

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(2) The domestic and international environment during the "11–5" period. Peace, development, and co-operation have become the trend of the contemporary era; the balance of political power in the world is conducive to the maintenance of overall stability in the international environment; the trend of economic globalization is deepening; rapid advances are being made in science and technology; the movement of the essential factors of production and industrial relocation are accelerating; mutual engagement and influence between our country and the global economy are deepening by the day; and the domestic and international markets and the two types of resources [at home and abroad] serve to complement each other, making the external environment generally favourable to our country's development. At the same time, the international environment is complex and volatile; factors of instability and uncertainty that affect peace and development are on the rise; pressure from the economic, scientific, and technological superiority enjoyed by developed countries will continue to exist for a long time to come; uneven economic development in the world is worsening; competition for resources, markets, technology, and talent is intensifying; and trade protectionism is being given new expression, presenting new challenges to our country's economic and social development and security.

Our country has embarked on a new phase of economic and social development, the personal consumption structure is being gradually improved, and the course of industrial restructuring and urbanization is gaining speed. Labour resources are plentiful, the national saving rate is relatively high, infrastructure is being constantly improved, and the foundations for science, technology and education are quite sound. The socialist market economic system is being gradually perfected, and long-term social and political stability is being maintained. These have created favourable conditions for sustained economic and social development. At the same time, it is imperative to understand clearly that our country is in the initial stage of socialism and will continue to remain there for a long period of time, that its productive forces are still not developed, and that the development of urban and rural areas is uneven. The extensive mode of economic growth has not changed fundamentally, the economic structure is not sufficiently rational, independent innovative capabilities are not strong, and contradictions between economic and social development and the resource environment are becoming more conspicuous. The task of resolving the "three rural issues" [agriculture, peasants and rural areas] is quite arduous, the pressure for employment is still quite strong, and there are quite a few contradictions in income distribution. Institutional and mechanistic problems that affect development need to be resolved urgently, and the relationships among different social interests are becoming more difficult to handle properly. We still face a considerable number of difficulties and problems on the way ahead.

(3) The "11–5" period is an important period that links the past and the future. The first 20 years of this century are a period of important strategic opportunities for our country's development, and the "11–5" period is particularly pivotal. We must firmly seize opportunities to cope with all manner of challenges, earnestly resolve conspicuous contradictions and problems that have accumulated over a long period of time, break through bottlenecks and institutional impediments to development, and create new prospects for socialist economic, political, cultural and social construction in order to lay a solid foundation for smooth development in the latter decade. We must have a keen sense of historical responsibility, a strong sense of preparedness for any eventuality, and a broad global vision; base ourselves on scientific development; devote ourselves to independent innovation; perfect institutions and mechanisms; promote social harmony; comprehensively enhance our country's overall national strength, international competitiveness, and ability to withstand risks; and make all-out efforts to advance the cause of socialism with Chinese characteristics.

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II. Comprehensively implementing a scientific development concept

(4) Persevere in putting a scientific development concept in command of overall economic and social development. In drawing up the 11th Five-Year Programme, it is necessary to take Deng Xiaoping Theory and the important thinking of the "Three representations" as guidance and comprehensively implement a scientific development concept. It is necessary to persevere in taking development as the last word; in pursuing development, which is the party's foremost task in governing and rejuvenating the country; in taking economic construction as the centre; and in resolving problems on the way ahead through the methods of development and reform. It is imperative that development be scientific, and it is necessary to take a people-centred approach, change development concepts, introduce new development models, improve the quality of development, achieve "five balances" [balance in urban and rural development, balance in regional development, balance in economic and social development, balance in the harmonious development of man and nature, and balance in domestic development and opening up to the outside world], and truly shift economic and social development onto the path of comprehensive, co-ordinated, and sustainable development. The following principles must be upheld:

– It is imperative to maintain steady and fairly rapid economic development. While a fairly rapid pace of growth is necessary for development, more emphasis must be placed on improving the quality and efficiency of growth and on accelerating strategic economic restructuring. Efforts should be made to further expand domestic demand, adjust the relationship between investment and consumption, and enhance the stimulating effect of consumption on economic growth. It is necessary to correctly keep track of changes in the trend of economic development, maintain a basic balance in overall supply and demand in society, avert drastic ups and downs in the economy, and achieve rapid and sound development.

– It is imperative to accelerate the pace of changing the mode of economic growth. Land, fresh water, energy, mineral resources, and environmental conditions in our country have seriously restricted economic development. It is necessary to make resource conservation a basic national policy, develop a recycling-based economy, protect the ecological environment, accelerate the pace of building a resource-efficient and environment-friendly society, and promote the harmonization of economic development with the population, resources, and the environment. Efforts should be made to give impetus to the informatization of the national economy and society; to conscientiously follow a new path of industrialization; to persevere in seeking conservation-oriented, clean, and safety-oriented development; and to achieve sustainable development.

– It is imperative to enhance independent innovative capabilities. The realization of long-term and sustained development requires scientific and technological progress and the qualitative improvement of the workforce. The strategy of rejuvenating the country through science and education and the strategy of building a strong country through talent should be thoroughly implemented; the enhancement of independent innovative capabilities should be made a strategic basic point in scientific and technological development as well as the central link in restructuring the industry and changing the growth mode; and the ability to introduce original and integrative innovations [*yuan shi chuang xin neng li ji cheng chuang xin neng li*] as well as the ability to import, absorb, assimilate, and innovate anew should be vigorously improved.

– It is imperative to promote the co-ordinated development of urban and rural areas. Difficulties in building a well-off society in an all-around way lie in rural areas and in the western region. It is necessary to proceed from the overall interests of

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socialist modernization and balance the development of urban and rural areas. Resolution of the "three rural issues" should be made the top priority in party-wide work, and the practice of having industry serve agriculture in return and having the cities support the countryside should be adopted. Efforts should be made to advance the construction of a new socialist countryside and promote the healthy development of urbanization. It is necessary to implement an overall strategy for regional development and form a mechanism for co-ordinating regional development, with the eastern, central, and western regions complementing each other's strengths and engaging in positive interaction.

– It is imperative to strengthen the building of a harmonious society. Promoting social harmony is an important goal and essential condition for our country's development. Consistent with the requirements of a people-centred approach, it is necessary to proceed from the resolution of real problems that affect the people's vital interests, place greater emphasis on co-ordinating economic and social development, accelerate the development of social services, and promote the comprehensive development of man. Greater emphasis should be placed on social fairness; the relationship among reform, development, and stability should be correctly handled; and social stability and unity should be maintained.

– It is imperative to constantly deepen reform and opening up. Developing a more vibrant and open institutional environment is an inevitable requirement for achieving scientific development. It is necessary to adhere to the reform direction of the socialist market economy, perfect the modern enterprise and property rights systems, establish a price-forming mechanism that reflects market supply and demand as well as the degree of resource scarcity, give greater rein to the basic role of market forces in allocating resources, improve efficiency in allocating resources, conscientiously change governmental functions, and strengthen the state's macroeconomic regulatory and control system. Efforts should be made to balance domestic development with opening up to the outside world, constantly raise the level of opening up to the outside world, and enhance the ability to promote development under the conditions of opening up wider.

– A scientific development concept encapsulates the worldview and methodology that guides development. To comprehensively implement a scientific development concept, it is imperative to put in place stronger safeguards in terms of ideology, organization, work styles and institutions. It is necessary to gain a deeper understanding of the basic connotation and essence of a scientific development concept, establish a comprehensive evaluation system for economic and social development that is commensurate with the requirements of a scientific development concept, persevere in proceeding from reality in everything we do, respect the creative spirit of the masses, consciously act in accordance with objective laws, and push reform, opening up, and socialist modernization forward in a down-to-earth manner.

(5) Objectives for economic and social development during the "11–5" period. Based on an overall consideration of our country's development trends and conditions over the next five years, during the "11–5" period it is necessary to achieve sustained, rapid, co-ordinated, and healthy national economic development and all-around social progress and to make important initial progress in building a well-off society in an all-around way. The main objectives are: on the basis of optimizing structures, improving efficiency, and reducing consumption [of energy and resources], doubling the 2000 per capita gross domestic product [GDP] in 2010; markedly improving efficiency in utilizing resources; reducing energy consumption per unit of GDP by some 20 per cent from the end of the "10–5" period; basically stemming the worsening trend in the ecological environment; bringing the excessive decrease in farmland under effective control; developing a number of superior enterprises with

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proprietary intellectual property rights, famous name brands, and fairly strong international competitiveness; developing a fairly perfect socialist market economic system; taking the open-style economy to a new level; achieving a basic equilibrium in the balance of international payments; universalizing and consolidating nine-year compulsory education; bringing about a sustained growth in jobs in urban areas; developing a fairly sound social security system; continuing to reduce the number of people living in poverty; effecting a general improvement in income levels and in the quality of life for urban and rural residents; keeping the overall price level basically stable; significantly improving living, transportation, educational, cultural, health, and environmental conditions; making new progress in building democracy, legal institutions, and spiritual civilization; further improving social order and production safety; and making new progress in building a harmonious society.

III. Building a new socialist countryside

(6) Actively advance the drive to balance urban and rural development. Building a new socialist countryside is a major historic task in the course of our country's modernization. It is necessary to persevere in proceeding from the realities of various localities, respect the wishes of farmers, and give impetus to building a new countryside in a down-to-earth and steady manner in line with the requirements for developing production, achieving well-to-do living standards, fostering civility in rural areas, keeping the countryside clean and tidy, and exercising democratic management. It is necessary to persevere in "giving more, taking less, and loosening controls for the purpose of invigoration"; increase investments by governments at all levels in agriculture and rural areas; expand the scope of coverage by public finance in rural areas; strengthen the government's public services in rural areas; and institute a long-term mechanism by which industry promotes agriculture and the cities bring along the countryside. Construction of rural areas should be planned well, and land should be used in an economical and intensive manner. It is necessary to cultivate a new type of farmer who is educated, technologically proficient, and operationally adept; improve the overall quality of farmers; and markedly improve production and living conditions as well as the overall appearance in the vast countryside through hard work on the part of farmers and with the help of state policy support.

(7) Give impetus to the development of modern farming. It is necessary to accelerate agriculture-related scientific and technological progress, strengthen the construction of farming facilities, restructure agricultural production, change the growth mode in agriculture, and improve comprehensive production capacity in agriculture. Efforts should be made to develop grain production steadily, carry out quality grain industrial projects, and build large commodity grain production bases to ensure the country's grain security. It is necessary to optimize the geographical distribution of agricultural production, give impetus to the industrialization of agricultural production, promote the processing and conversion of farm products into higher-value products, and develop high-yield, high-quality, high-efficiency, ecologically sound, and safety-oriented agriculture. Animal husbandry should be developed vigorously; natural pastures should be protected; and forage grass bases should be built. It is necessary to actively develop marine products industry and to protect and make rational use of fishery resources. The construction of farmland irrigation and water conservancy projects should be strengthened; low-and medium-yield farmland should be transformed; and land should be rehabilitated. It is necessary to raise the level of farm mechanization, accelerate standardization in agriculture, and strengthen the systems of farm technology popularization, farm product markets, farm product quality and safety, and plant disease and insect pest prevention and

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control. Efforts should be made to actively practice water-efficient irrigation, make scientific use of fertilizers and pesticides, and promote sustainable agricultural development.

(8) Comprehensively deepen rural reforms. It is necessary to stabilize and perfect the two-tier management system that is based on household contract management and combines unified management with independent management. Localities with the appropriate conditions can rotate contracted land management rights according to law and develop diverse forms of operations on an appropriate scale in accordance with the principle of voluntarism and compensation. It is necessary to consolidate the achievements in tax-for-fee reforms in rural areas, comprehensively advance overall reforms in rural areas, and basically complete the tasks of reforming township and town institutions, compulsory education in rural areas, and county and township financial management structures. Financial structural reforms in rural areas should be deepened; financial institutions that are suited to the traits of rural areas should be developed in a standardized manner; agricultural insurance should be explored and developed; and financial services in rural areas should be improved. It is necessary to uphold the most rigorous farmland protection system, accelerate the pace of reforming the land expropriation system, and strengthen the mechanism for paying reasonable compensation to farmers whose land has been expropriated. Distribution structural reforms in rural areas should be deepened, and rural markets should be actively developed. Efforts should be made to gradually establish a uniform labour market for urban and rural areas as well as an employment system featuring fair competition, and to guarantee the rights and interests of migrant workers in the cities in accordance with the law. The service functions of village-level collective economic organizations should be strengthened. Farmers should be encouraged and guided in the development of all kinds of specialized co-operative economic organizations, and the degree of organization in agriculture should be improved. The construction of rural party organizations as well as grassroots organs of state power should be strengthened, and the vibrant mechanism of self-government for villagers led by village party organizations should be strengthened.

(9) Vigorously develop public services in rural areas. Efforts should be made to accelerate the development of cultural and educational services in rural areas, focus on universalizing and consolidating nine-year compulsory education in rural areas, exempt students in rural areas from miscellaneous fees, and provide free textbooks and boarding allowances to students from poor families. It is necessary to strengthen the system of public health and basic medical services in rural areas, basically institute a new type of co-operative medical care system in rural areas, and step up efforts to prevent and control zoonoses. An incentive and support system for households practising family planning and a poverty relief project stressing "fewer births and faster enrichment" should be implemented in rural areas. Long-distance education and radio and television "coverage for every village" should be developed. It is necessary to increase investment in infrastructure in rural areas, expedite road construction in rural areas, develop communications services in rural areas, continue to perfect power grids in rural areas, and gradually resolve the issues of difficult access to potable water and safety with regard to drinking water. The use of marsh gas in rural areas should be vigorously promoted, and clean energy that is suited to the traits of rural areas should be actively developed.

(10) Make every effort to increase farmers' incomes. Comprehensive measures should be adopted to extensively open up channels for increasing farmers' incomes. The internal potential of agriculture for income growth should be fully realized; the production of labour-intensive products and green food such as aquaculture and horticulture should be expanded; and efforts should be made to develop markets for

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farm products. It is necessary to vigorously develop county-level economies, provide more skills training to rural workers, guide the orderly transfer of surplus labour towards non-farming industries and cities and towns, and promote the development of town and township enterprises and small towns. It is necessary to continue perfecting existing policies on farm subsidies, maintain reasonable price levels for farm products, and gradually establish a farm support and protection system that is compatible with national conditions. Poverty relief efforts should be intensified; the quality of people in poverty-stricken areas and their basic production and living conditions should be improved; and channels for increasing incomes should be opened up. Poverty relief methods involving whole villages should be implemented in light of local conditions. People living in poverty in areas lacking in conditions of subsistence should be relocated in order to receive anti-poverty assistance, and a relief system should be established for poor people who have lost the ability to work.

IV. Advancing the optimization and upgrading of the industrial structure

(11) Upgrade industrial and technological levels through independent innovation. Developing advanced manufacturing industries, increasing the proportion of service industries in the national economy, and strengthening the construction of basic industries and infrastructure are important tasks in industrial restructuring. The key is to comprehensively enhance independent innovative capabilities, strive to master core and key technologies, enhance the ability to commercialize scientific and technological achievements, and upgrade the overall technological level of industry. A new technological innovation system with enterprises playing dominant roles that is oriented towards the market and that combines industry, academia, and research institutes should be established so as to form a basic framework for independent innovation. New and high technologies that have a significant effect in fuelling economic and social development should be vigorously developed; the development of major industrial technologies should be supported; important technological standards should be drawn up; and a technological basis for independent innovation should be built. The construction of state project centres and enterprise technology centres should be strengthened; research and development institutes specializing in applied technology should be encouraged to work with enterprises; the innovative energy of all kinds of enterprises, especially small and medium-sized enterprises, should be brought into play; and technological innovation, invention, and creation should be encouraged. Fiscal, taxation, financial and government procurement policies that support independent innovation should be implemented; venture capital investment should be developed; technology consultation, technology transfer, and other intermediary services should be strengthened; and the incentive mechanism for independent innovation should be perfected. Greater protection should be accorded to intellectual property rights; the intellectual property rights protection system should be strengthened; and the environment for innovation should be optimized. Outmoded techniques and technologies should be eliminated in accordance with the law, and enterprises that destroy resources, pollute the environment, and do not possess safe production conditions should be shut down.

(12) Accelerate the development of advanced manufacturing industries. It is necessary to persevere in promoting industrialization through informatization, transform and upgrade manufacturing industries through the extensive application of high technology and advanced applicable technology, develop more famous name brands with proprietary intellectual property rights, and give rein to the important role of manufacturing industries in supporting economic development. For equipment manufacturing industries, it is necessary to rely on key construction projects; persevere in

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combining independent innovation with technology import; increase policy support; raise domestic production standards for major technology and equipment, especially in the form of breakthroughs in highly efficient and clean power generation and transmission, large-scale petrochemical installations, advanced applicable transportation equipment, high-grade numerically-controlled machine tools, automatic control equipment, integrated circuit equipment, and advanced power devices; and raise the overall standards of research, development, design, core parts and components, processing manufacturing, and systems integration. In high-tech industries, the pace of expansion towards independent research, development, and manufacturing from heavy reliance on processing and assembly should be accelerated, and the information, biology, new materials, new energy, and aerospace industries should be energetically developed in line with the requirements for industrial agglomeration, large-scale development, and expanded international co-operation in order to foster new growth areas. In the information industry, integrated circuits, software, and other core industries should be developed vigorously in keeping with the overall trend towards digitization and the application of Web-based and intelligent technology, with an emphasis on cultivating information industrial groups specializing in digital audio and video equipment, new-generation mobile communications, high-performance computers, and network equipment. Efforts to develop and share information resources should be stepped up, and the popularization and application of information technology should be promoted. In the bio-industry, it is necessary to take full advantage of our country's unique edge in resources and technology to achieve new breakthroughs in research and development on key technology and important products in light of the great demand in the fields of health care, agriculture, environmental protection, energy, and materials. In defence-related science and technology industries, it is necessary to persevere in combining military and civilian production; put soldiers to civilian work; continue to adjust, transform, and optimize structures; strengthen the co-ordinating mechanism for interaction and co-operation between the military and civilian sectors; raise product research, development, and manufacturing standards; and enhance the ability to switch between peacetime and wartime production.

(13) Promote the accelerated development of service industries. It is necessary to draw up and perfect policies and measures for promoting the development of service industries; vigorously develop such modern service industries as finance, insurance, logistics, information, and legal services; actively develop industries with strong potential demand such as culture, tourism, and community service; transform and upgrade traditional service industries through the application of modern management methods and information technology; and raise the proportion and standard of service industries in the national economy. An open, equal, and standard industry access system should be established while adhering to the direction of marketization, industrialization, and society-based operations, and commercial public service providers should gradually practice business management and develop fairly competitive large service enterprise groups. Large cities should give priority to developing service industries, and, where conditions permit, an industrial structure with service industries playing a dominant role should be gradually developed.

(14) Strengthen the construction of basic industries and infrastructure. In the energy sector, the policy orientation of conservation and efficient utilization should be reinforced; diversified development anchored domestically and based on coal should be pursued, with priority given to conservation; and a stable, economical, and clean energy supply system should be built. Large coal bases should be built; small and medium-sized coal mines should be revamped and transformed; coal bed methane should be developed and utilized; and joint coal and electricity ventures

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should be encouraged. Coal-fired power generation based mainly on large, highly efficient generating sets should be developed in an optimal manner. Hydropower should be developed in an orderly manner on the basis of ecological protection, and nuclear power should be actively developed. The construction of power grids should be strengthened, and the scale of west-to-east power transmission should be expanded. Simultaneous development of oil and gas should be pursued; domestic exploration and development of petroleum and natural gas should be strengthened; overseas joint development should be expanded; petroleum strategic reserve capabilities should be strengthened; and alternative products for petroleum should be developed steadily. The development of renewable energy such as wind power, solar energy, and biomass should be expedited. In the construction of water conservancy projects, it is necessary to step up efforts to harness large rivers, allocate upstream and downstream water as well as surface and underground water under overall planning, control underground water extraction, actively develop seawater desalination, strengthen management over the development and utilization of water resources, and improve flood and drought control capabilities. In the transportation sector, relevant facilities should be deployed rationally, and various means of transportation should be interconnected to produce combined effects and display overall superiority in the interest of forming a convenient, smooth, efficient, and safe comprehensive transportation system. The development of railway and urban rail transportation should be accelerated; highway networks should be further perfected; and air transportation, shipping, and transportation by pipeline should be developed. The construction of information infrastructure such as broadband communications networks, digital television networks, and next-generation Internet networks should be strengthened; the drive to "integrate the three networks" [telecommunications, television, and the Internet] should be propelled forward; and the information security system should be strengthened. In raw and semi-finished materials industries, efforts should be devoted to adjusting the product structure, the enterprise organizational structure, and the geographical distribution of industries in light of the conditions of energy resources and environmental capacity, and the quality and technological content of products should be improved. In minerals extraction, it is necessary to strengthen geological prospecting for important mineral resources, increase geological resource deposits, restore order in exploitation, practice rational extraction and comprehensive utilization, strengthen the paid resource utilization system, and promote international co-operation in resource development and utilization technology. Overall planning, scientific verification, and information guidance for the construction of major infrastructure and basic industries should be strengthened, and indiscriminate construction of duplicate projects and waste of resources should be prevented.

V. Promoting co-ordinated regional development

(15) Develop a rational order for regional development. It is necessary to continue pushing the great development of the western region forward, revitalize the northeast region and other old industrial bases, bring about the rise of the central region, and encourage the eastern region to take the lead in development. The western region should quicken the pace of reform and opening up; strengthen infrastructure construction and environmental protection; expedite scientific, technological, educational, and human resources development; take full advantage of its abundant resources to vigorously develop speciality industries; and enhance its self-development capabilities. The northeast region should accelerate industrial restructuring and the pace of reforming, reorganizing, and transforming state-owned enterprises; develop modern farming; devote its efforts to revitalizing equipment manufacturing industries; pro-

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mote the transformation of resource-depleting urban economies; and achieve rejuvenation in the course of reform and opening up. The central region should build major grain-producing areas, develop energy and manufacturing industries where it has a comparative advantage, strengthen infrastructure construction, expedite the construction of a modern market system, and achieve its rise through harnessing its superiority in linking the east and west and in industrial development. The eastern region should strive to improve its independent innovative capabilities, expedite structural optimization and upgrading as well as the transformation of its growth mode, raise the standard of its externally oriented economy, and enhance its international competitiveness and sustainable development capacity. The state will continue to provide more support to the central and western regions in terms of economic policy, financial investment, and industrial development. Development of the eastern region is an important basis for supporting co-ordinated regional development, and the eastern region should bring along and assist in the development of the central and western regions by taking the lead in development. Regions should ascertain their positions in terms of their functions in light of the sustaining capacity of their resource environments and development potential and in accordance with different requirements that call for optimal development, priority development, restricted development, or prohibited development, and they should draw up corresponding policies and appraisal targets and gradually develop a regional development order that reflects their respective characteristics. Marine resources should be developed and protected, and a maritime economy should be actively developed.

(16) Strengthen the regional co-ordination and interaction mechanism. An interaction mechanism for mutual promotion and complementarity among regions is an important means for achieving co-ordinated regional development. It is necessary to strengthen market mechanisms, break free of the restrictions of administrative divisions, promote the free movement of the essential factors of production across regional lines, and guide industrial relocation. The mechanism for co-operation should be strengthened, and regions should be encouraged to carry out diverse forms of regional economic collaboration and technological and personnel co-operation and be given support in this respect, so as to develop an order in which the eastern region leads the western region and the eastern, central, and western regions develop together. The mechanism for mutual assistance should be strengthened, and developed regions should help and support underdeveloped regions through such methods as assistance between counterparts and donations from society. The support mechanism should be strengthened. State support for underdeveloped regions should be increased in accordance with the principle of equal access to public services, and economic and social development in old revolutionary base areas, ethnic minority areas, border areas and poverty-stricken areas should be accelerated.

(17) Promote the healthy development of urbanization. It is necessary to persevere in co-ordinating the development of large, medium-sized, and small cities and small towns; improve the overall sustaining capacity of cities and towns; and actively and prudently move forward with urbanization in accordance with the principles of proceeding in an orderly and progressive manner, making economical use of land, pursuing intensive development, and effecting a rational geographical distribution. The Pearl river delta, the Yangtze river delta, and the Bohai rim area should continue to perform their functions of stimulating and influencing economic development in the hinterlands; strengthen the division of work, collaboration, and mutual complementarity among intraregional cities; and enhance the overall competitiveness of conurbations. It is necessary to continue to bring into play the roles of special economic zones and the Shanghai Pudong New District and to promote the development and opening up of the Tianjin Binhai New District and other regions with fairly

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good conditions in order to fuel regional economic development. Through overall planning, regions with the appropriate conditions should form a number of new conurbations, with megalopoles and large cities playing the lead role, which involve the use of little land, provide ample employment opportunities, can bring together the essential factors of production, and have a rational demographic distribution. In regions with scattered populations and relatively poor resource conditions, existing cities and county towns as well as incorporated towns with the appropriate conditions should be developed on a priority basis. Sound fiscal, taxation, land expropriation, administrative management and public service systems that are commensurate with the healthy development of urbanization should be established, and the measures for managing household registration and migrant populations should be perfected. Regional planning, urban planning, and land-use planning should be made in a unified manner; human habitats should be improved; local characteristics should be preserved; and urban management standards should be raised.

VI. Building a resource-efficient and environment-friendly society

(18) Vigorously develop a recycling-based economy. Developing a recycling-based economy is an important means for building a resource-efficient and environment-friendly society and for achieving sustainable development. It is necessary to place equal emphasis on development and conservation, with priority given to conservation. In accordance with the principles of waste reduction, recycling, and reclamation, energy, water, land, and materials conservation should be vigorously promoted; comprehensive utilization of resources should be strengthened; the system for recovering and utilizing renewable resources should be perfected; clean production should be practised in an all-around manner; and a conservation-oriented growth mode featuring low input, low consumption, low discharges, and high efficiency should be developed. It is necessary to actively develop and disseminate resource conservation, substitution, and recycling technologies; expedite the technical transformation of enterprises to conserve energy and reduce consumption; implement a mandatory elimination system for high-consumption, high-pollution and technological backward techniques and products; and implement pricing, fiscal and taxation policies that are favourable to resource conservation. Pilot projects on a recycling-based economy should be carried out in key industries such as metallurgy, building materials, chemicals, and electric power as well as in industrial parks and a number of cities; relevant laws and regulations should be strengthened; and effective models for developing a recycling-based economy should be explored. Greater conservation awareness should be fostered; the production and use of energy-and water-efficient products and energy-efficient and environment-friendly automobiles should be encouraged; energy-efficient buildings that make economical use of land should be developed; and a healthy, civilized, and resource-efficient consumption model should be cultivated.

(19) Increase environmental protection. It is necessary to carry out comprehensive treatment with priority given to prevention, strengthen pollution control at the source as well as environmental protection, and resolutely change the situation where pollution precedes treatment and treatment is accompanied by pollution. All localities and departments should view environmental protection as a major task, take stringent and strong measures to lower the total volume of pollutants, and conscientiously resolve conspicuous problems that affect economic and social development, especially those that gravely endanger people's health. It is necessary to improve environmental quality in key basins and regions as soon as possible; intensify efforts to prevent and control water pollution in the "three rivers and lakes" [Huai river, Hai

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river, Liao river, Taihu lake, Chaohu lake and Dianchi lake], the Three Gorges Dam area, the upper reaches of the Yangtze river, and the middle and upper reaches of the Yellow river, as well as at the sources and along the routes of the project to diver water from the south to the north; and actively prevent and control surface pollution in rural areas, with particular attention paid to protecting sources of drinking water. The environment in large and medium-sized cities should be improved comprehensively; efforts to control sulphur dioxide emissions from coal-fired power plants should be accelerated; control of greenhouse gas emissions should be taken seriously; and household garbage and hazardous waste should be treated properly. Efforts should be made to further strengthen the environmental monitoring and control system, improve the ability to monitor and control environmental pollution, strengthen law enforcement in environmental pollution, and implement the systems of controlling the total volume of discharges, issuing permits for discharging pollutants, and conducting environmental impact assessments. Environmental protection industries should be developed vigorously; society-based and diverse investment and financing mechanisms for environmental protection should be established; and the process of marketization for pollution control should be promoted through the application of economic means.

(20) Conscientiously protect the natural ecology. Ecological protection of such natural resources as headwaters, land, forests, grasslands, and seas and oceans should be strengthened, in such a way that priority is given to protection, orderly development is ensured, and emphasis is placed on controlling unreasonable resource development activities. It is necessary to continue advancing ecology projects such as natural forest protection, conversion of croplands into forests, conversion of pastures into grasslands, sand control in Beijing and Tianjin, soil erosion control, wetland protection, and control of desert encroachment and stony desertification; strengthen ecological protection and management in nature preserves, important ecology functional areas, and coastal areas; effectively protect biodiversity; and promote restoration of the ecological environment. Invasion by imported harmful species of our country's ecosystems should be prevented. The pace of establishing an ecological compensation mechanism based on the principle of whoever develops will protect and whoever benefits will compensate should be accelerated.

VII. Deepening structural reforms and raising the level of opening up to the outside world

(21) Perfect institutional safeguards for implementing a scientific development concept. Our country is at a stage of tackling difficult problems in reform, and it must accelerate reforms with greater determination so as to achieve breakthroughs in major structural reforms that affect overall economic and social development. The pace of perfecting the socialist market economic system should be accelerated, with the focus on changing governmental functions and deepening enterprise, fiscal, taxation, and financial reforms, so as to form a mechanism that facilitates changing the mode of economic growth and promoting comprehensive, co-ordinated, and sustainable development. It is necessary to open wider to the outside world and to promote reform and development through opening up. Overall guidance, planning, and co-ordination for reform and opening up should be strengthened, and attention should be paid to standardizing, systematizing, and codifying into law tried-and-true measures for reform and opening up.

(22) Devote efforts to advancing administrative management structural reforms. Accelerating administrative management structural reforms is key to comprehensively deepening reforms and raising the level of opening up to the outside world. It

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is necessary to continue advancing the drive to separate government administration from enterprise management, government administration from asset management, government functions from the functions of public institutions, and government functions from the functions of intermediary organizations in society, and to reduce the number of matters that require administrative examination and approval and to standardize procedures in this respect. Governments at all levels should strengthen their functions of social management and public services, and they may not directly interfere in the operations of enterprises. Efforts should be made to deepen government institutional reforms, optimize the organizational structure, cut down on the number of administrative levels, rationalize the division of work and responsibility, promote e-government, improve administrative efficiency and reduce administrative costs. Reforms of public institutions according to different types should be pushed forward. Investment structural reforms should be deepened; the systems of examining and approving investment projects and of reporting them for the record should be perfected; government investment conduct should be regulated; and the government investment decision-making responsibility system should be strengthened. It is necessary to accelerate the construction of a government under the rule of law, comprehensively advance the exercise of administrative functions by law, and strengthen scientific and democratic decision-making and administrative supervision mechanisms.

(23) Uphold and perfect the basic economic system. It is necessary to persevere in seeking common development for economic sectors under diverse forms of ownership with public ownership playing a dominant role. Efforts to adjust the geographical distribution and structure of the state-owned economy should be intensified; the concentration of state capital in important sectors and pivotal fields that affect national security and the lifelines of the national economy should be given further impetus; and the state-owned economy should be granted greater controlling power and allowed to play a guiding role. Reforms of large state-owned enterprises through the implementation of a joint-stock system should be accelerated, and the corporate governance structure should be perfected. Reforms of monopoly industries should be deepened; restrictions on market access should be eased; and investors and property rights should be diversified. The pace of establishing a state capital management and budgeting system should be expedited; a sound system for supervising and managing financial assets, assets for non-operational purposes, and natural resources and assets should be instituted; and the loss of state-owned assets should be prevented. It is necessary to continue to deepen reforms of collective enterprises and develop diverse forms of the collective economy. It is necessary to vigorously develop individual, private, and other non-public economic sectors and to encourage and support the non-public economy to participate in reforms of state-owned enterprises and enter such fields as financial services, public utilities, and infrastructure. Individual and private enterprises should be guided in making institutional innovations, and services, supervision, and management should be strengthened and improved with regard to non-public enterprises. Enterprises of all types should conscientiously safeguard the legitimate rights and interests of their employees.

(24) Promote fiscal and taxation structural reforms. The powers of governments at all levels should be rationally defined; the relationships regarding revenues and expenditures between governments at the central and local levels and among local governments at all levels should be adjusted and standardized; and a sound fiscal and taxation system commensurate with the scope of authority should be established. The structure of fiscal expenditures should be adjusted, and the pace of establishing a public finance system should be accelerated. The fiscal transfer payment system between governments at the central and provincial levels should be perfected; the

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fiscal management system below the provincial level should be rationalized; and localities with the appropriate conditions should be allowed to implement a system of direct management of counties by provinces. It is necessary to continue deepening reforms of the department-specific budgeting system, the system of centralized receipts and payments by the state treasury, the government procurement system, and the system of separate management of revenues and expenditures. A fiscal and taxation system that will facilitate the transformation of the growth mode, scientific and technological progress, and energy and resource conservation should be implemented. The value-added tax system should be perfected, and transformation of the value-added tax should be effected. The taxation systems for various kinds of enterprises should be unified, and a personal income tax system that combines general and specific taxes should be implemented. The resource tax should be adjusted and perfected; a fuel tax should be levied; and taxation on property should be implemented steadily. Measures for managing land transfer proceeds should be standardized.

(25) Accelerate financial structural reforms. It is necessary to press forward with the conversion of state-owned financial enterprises into joint-stock enterprises, deepen reforms of policy-oriented banks, and steadily develop small and medium-sized financial enterprises under diverse forms of ownership. Efforts should be made to perfect the corporate governance structure of financial institutions, strengthen internal control mechanisms, and improve the asset quality, profitability, and services of financial enterprises. Pilot programmes on comprehensive financial operations should be pushed forward steadily. Capital markets such as those for stocks and bonds should be developed actively; the construction of basic institutions should be strengthened; a multi-tiered market system should be established; market functions should be perfected; and the proportion of direct financing should be increased. Currency, insurance, and futures markets should be developed steadily. The system of registration, trusteeship, trading, and liquidation in financial markets should be strengthened. The financial supervision and management system should be perfected; restraints with regard to capital adequacy ratios should be tightened; and measures should be taken to guard against and defuse financial risks. The market exit mechanism for financial institutions should be standardized, and relevant deposit insurance, investor protection and insurance protection systems should be established. Reforms aimed at marketizing interest rates should be pushed forward steadily; the system of managed floating exchange rates should be perfected; and convertibility of the *renminbi* under the capital account should be implemented gradually. Efforts should be made to safeguard financial stability and security.

(26) Push the construction of a modern market system forward. Efforts should be made to further break down administrative monopoly and regional blockades, strengthen the national unified open market, and promote modern distribution methods. It is necessary to continue to develop markets for essential factors such as land, technology, and labour; develop all kinds of intermediary organizations in a standardized manner; and perfect the mechanism for forming the prices of commodities and essential factors. Market order should be restored and regulated further, and the production and sale of counterfeit products, commercial fraud, tax evasion and tax fraud, and infringements of intellectual property rights should be resolutely combated. The pace of establishing a social credit system should be accelerated, with the emphasis on perfecting credit records on credit lending, tax payment, contract fulfilment and product quality, and the system for punishing bad credit should be strengthened.

(27) Accelerate the pace of changing the growth mode in foreign trade. It is necessary to actively develop foreign trade, optimize the structure of export and

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import goods, and focus on improving quality and efficiency in foreign trade. Exports of goods with proprietary intellectual property rights and name brands should be expanded; exports of products that consume a great deal of energy and cause serious pollution should be controlled; imports of advanced technology and equipment and resources in short supply at home should be encouraged; and the mechanism for co-ordinating exports and imports of bulk commodities should be perfected. It is necessary to continue to develop processing trade, focus on improving industrial levels and the sophistication of processing techniques, enhance domestic supporting capabilities, and promote domestic industrial upgrading. The service trade should be developed vigorously, and its level and standard should be raised constantly. Fair trade policies should be perfected; the foreign trade monitoring system should be strengthened; the ability to settle trade disputes should be enhanced; and the legitimate rights and interests of enterprises as well as national interests should be safeguarded. It is necessary to actively participate in multilateral trade talks, advance regional and bilateral economic co-operation, and promote global trade and investment liberalization and facilitation.

(28) Implement a mutually beneficial and win-win strategy of opening up. Economic structural reforms involving foreign interests should be deepened, and structures and policies on promoting the cross-border movement and optimal allocation of the essential factors of production should be perfected. It is necessary to utilize foreign investment actively and effectively, conscientiously improve the quality of foreign investment utilization, strengthen guidance over the channelling of foreign investment into relevant industries and regions, and promote the optimization and upgrading of domestic industries. Emphasis should be placed on bringing in advanced technology, management expertise, and high-calibre personnel and imported technology should be properly absorbed, assimilated, and innovated and improved upon. It is necessary to continue opening up service markets and to take over relocated international modern service industries in an orderly manner. Regions and development zones that are quite good at attracting foreign investment should place emphasis on improving production and manufacturing levels; actively expand into such fields as research, development, and modern distribution; and bring their aggregative and stimulating roles into full play. Qualified enterprises should be supported in their efforts to "go global" and invest overseas in accordance with common international rules. Overseas project contracting services and labour exports should be encouraged, and mutually beneficial co-operation and common development should be expanded. The mechanism for co-ordinating overseas investment and risk management should be perfected, and supervision and management over overseas state-owned assets should be tightened. Economic and technological co-operation with neighbouring countries should be actively developed. The country's economic security should be safeguarded conscientiously in the course of opening wider to the outside world.

VIII. Thoroughly implementing the strategy of rejuvenating the country through science and education and the strategy of building a strong country through talent

(29) Accelerate scientific and technological innovation and leap-and-bound development. Developing science, technology, and education and building up the ranks of qualified personnel are decisive factors in enhancing the country's competitiveness. In developing science and technology, it is necessary to persevere in making independent innovations, develop key areas by leaps and bounds, support development, lead the future, constantly enhance enterprises' innovative capabilities, and

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accelerate the pace of building a state innovation system. Priority should be given to the development of major technologies in critical fields such as energy, resources, the environment, agriculture, and information according to the strategic needs of our country's economic and social development, and a number of major special projects should be launched and important breakthroughs achieved in line with the requirement for refraining from carrying out some projects in order to launch other projects. Basic research and frontier technology research should be strengthened; advance plans should be drawn up for such strategic fields as information, life science, space technology, marine biology, nanotechnology, and new materials; and reserve capabilities that would sustain scientific, technological and economic development should be strengthened through the concentration of superior resources and increased investment. The construction of major scientific and technological infrastructure should be strengthened; several major scientific projects should be carried out; and scientific and technological innovation should be supported. It is necessary to continue deepening structural reforms in science and technology, adjust and optimize the scientific and technological structure, consolidate and aggregate scientific and technological resources, quicken the pace of establishing a modern system of scientific research institutes, and form an effective mechanism that combines industry, academia, and research institutes. Dissemination of scientific knowledge should be stepped up. Efforts should be made to bring about thriving progress and development in philosophy and social sciences and to actively promote theoretical innovation, so that their important role in promoting economic and social development will come into greater play.

(30) Persevere in giving priority to developing education. Accelerating educational development is a fundamental way to turn our country's huge population pressure into an advantage in human resources. In order to meet the demand for knowledge and talent in economic and social development, it is necessary to comprehensively carry out quality education, deepen education structural reforms, accelerate educational restructuring, and foster a good environment for quality education in the whole society. The government should be given greater responsibility for guaranteeing compulsory education, and compulsory education should be universalized and consolidated. Vocational education should be developed vigorously, and the scale of enrolment for vocational education should be expanded. The quality of higher education should be improved; the construction of high-quality universities and key disciplines should be pushed forward; and the innovative and practical skills of college and university students should be enhanced. Conscientious efforts should be made to improve the quality of teachers, especially those in rural areas. Investment in education should be increased; an effective system of financial assistance for education should be established; modern long-distance education should be developed; the co-ordinated development of education of all types and all levels should be promoted; and a learning-oriented society should be built.

(31) Accelerate the pace of building a strong country through talent. It is necessary to foster the concept that human resources are the primary resources and to uphold the principle of putting the party in charge of talent-related matters. Capacity building for human resources should be strengthened; talent training projects should be carried out; the three corps of party and government personnel, enterprise management personnel, and professional and technical personnel should be strengthened; and close attention should be paid to training specialized and highly skilled personnel and personnel with practical skills in rural areas. Efforts should be devoted to training leading scholars in various fields of study, and high-calibre personnel from overseas should be actively courted. It is necessary to continue deepening reforms of the cadre-related personnel system; strengthen the personnel evaluation, selection,

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appointment, incentive, and support mechanisms that emphasize moral character, ability, and achievement; and emphasize moulding and training personnel in the course of practice. Efforts should be made to allocate human resources through market forces, standardize the management of human resources markets, and foster a social atmosphere that will facilitate the emergence of talent in an endless stream and allow individuals to make full use of their talents.

IX. Pushing the construction of a harmonious socialist society forward

(32) Actively promote social harmony. To build a harmonious socialist society, it is imperative to strengthen social construction, perfect the social management system, and strengthen the social management order featuring leadership by party committees, responsibility by government, co-ordination in society, and public participation. It is necessary to properly handle the relationships among different interests and earnestly resolve issues involving interests of the greatest concern and the most direct and practical significance to the masses, by focusing on expanding employment, perfecting the social security system, rationalizing the relationships of distribution, and developing social services. The construction of harmonious communities, villages, and towns should be strengthened; harmonious coexistence among people should be promoted; and the basis of social harmony should be strengthened. It is necessary to correctly handle contradictions among the people in the new situation, maintain open channels for filing petitions, and perfect the mechanism for co-ordinating social interests and mediating disputes in society. A sound early social warning system as well as a sound emergency relief and social mobilization mechanism should be established, and the ability to deal with unexpected incidents should be improved. It is necessary to strengthen the comprehensive management of social order, continue to push forward the construction of a prevention and control system for social order, intensively carry out activities aimed at creating models in maintaining peace and order, crack down hard on various crimes in accordance with the law, preserve national security and social stability, and ensure that the masses live and work in peace and contentment.

(33) Expand employment by every possible means. It is necessary to give more prominence to expanding employment in economic and social development and persevere in implementing an active employment policy. The guiding role of market forces should be brought into full play; labour-intensive industries, service industries, and small and medium-sized enterprises under various forms of ownership that can provide ample employment opportunities should be actively developed; order should be maintained in the labour market; workers should be encouraged to start their own businesses or seek employment on their own; and diverse forms of employment should be promoted. The mechanism for laying off workers from enterprises should be perfected, and the concentration of the flow of surplus personnel into society should be averted. State-owned enterprises should make arrangements for surplus personnel as much as possible through such measures as the separation of primary and secondary businesses and the restructuring of their secondary businesses. Consistent with new changes in the labour supply and demand structure, efforts should be made to reinforce government functions in providing public services to boost employment, strengthen the employment service system, and accelerate the establishment of a mechanism for providing training in vocational skills with government assistance and through the participation of society. It is necessary to continue implementing and perfecting fiscal, taxation, credit and other relevant preferential policies aimed at encouraging enterprises to increase jobs and strengthen job training;

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perfect the employment assistance system for the needy; and establish an effective mechanism for promoting the expansion of employment.

(34) Accelerate the pace of perfecting the social security system. It is necessary to establish a sound social security system that is compatible with the level of economic development and set reasonable standards and methods for providing security. The basic pension, medical care, unemployment, workplace injury, and birth insurance systems for urban workers should be perfected. Fiscal investment in social security should be increased; social security funds should be raised through multiple channels; and personal accounts should be established gradually. The level of overall social financing for basic pension insurance should be raised gradually, and the ability to exercise overall planning and regulation should be enhanced. Supplementary insurance by enterprises and commercial insurance should be developed. The issue of social security for migrant workers in the cities should be resolved in earnest. Reforms of the pension insurance system in government and public institutions should be pushed forward. The rights and interests of women and children should be treated as a matter of importance. Services for the handicapped should be actively developed. Social welfare services should be strengthened; the mechanism for assuring special care and preferential treatment for disabled service members and military dependents as well as the social relief system should be perfected; and social assistance activities such as charitable giving, donations in society, and mutual assistance among the masses should be supported. Localities with the appropriate conditions should actively explore ways to establish a system for guaranteeing minimum living allowances in rural areas. Policies and measures for dealing with the ageing population should be studied and drawn up in earnest.

(35) Rationally regulate income distribution. The distribution system that embraces diverse methods of distribution with distribution according to work as the main form should be perfected, and participation in distribution by various essential factors of production according to contributions should be upheld. It is necessary to focus on raising the income level of low-income earners, gradually expand the proportion of middle-income earners in the population, effectively regulate excessive incomes, maintain order in personal income distribution, and ease the trend towards a widening gap in income distribution among different regions and among some members of society. Social fairness should be stressed, and in particular, attention should be paid to fairness in employment opportunities and in the process of distribution. Efforts to regulate income distribution should be intensified, and supervision and management of the results of distribution should be strengthened. Minimum living allowances and minimum wages should be increased gradually on the basis of economic development, and difficulties and problems that low-income earners encounter in housing, medical care, and schooling for their children should be resolved in earnest. A standard pay schedule and pay management system for public servants should be established. Income distribution rules and supervision and management mechanisms in state-owned enterprises and institutions should be perfected. The system of information on personal incomes should be strengthened.

(36) Enrich the masses' intellectual and cultural lives. Cultural services and industries should be actively developed. Government investment in cultural services should be increased, and a fairly complete system of public cultural services that covers the whole society should be developed gradually. Structural reforms in culture should be deepened, and a culture management system led by party committees, managed by the government, regulated by industry, and operated by enterprises and public institutions in accordance with the law as well as a vibrant mechanism for producing and managing cultural products should be established. Efforts should be made to bring about flourishing growth in the press, publishing, radio, television,

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cultural, and art industries, and more cultural products of superb quality that meet the demand of the masses should be created. Policies on the cultural industry should be perfected, and a cultural industrial order featuring the common development of diverse forms of ownership with public ownership as the mainstay as well as a cultural market order that assimilates useful cultures from the outside with national culture as the mainstay should be formed. Management of the cultural market should be strengthened, and a social environment that supports wholesome culture and resists decadent culture should be fostered. Protection of cultural relics should be strengthened. International cultural markets should be actively developed, and Chinese culture should be spread to other parts of the world. The Beijing Olympics Games and the Shanghai World Exposition should be hosted successfully.

(37) Improve the masses' health standards. Government investment in health services should be increased, and the system of public health and medical services should be perfected. The ability to prevent and control diseases and provide medical treatment and services should be improved; efforts should be made to control major infectious diseases such as AIDS, snail fever, and hepatitis B; and occupational diseases and endemic diseases should be actively prevented and treated. Maternity and child care should be strengthened, and community health services should be vigorously developed. Medical and health structural reforms should be deepened; medical and health resources should be rationally allocated; and order should be restored in the production and distribution of medicines. The problems of difficult access to medical treatment and expensive medical treatment should be studied in earnest and resolved gradually. The development of traditional Chinese medicine should be supported, and a modern traditional Chinese medicine industry should be nurtured. The basic national policy on family planning should be upheld; the low birth rate in the population should be stabilized; good prenatal care and childrearing should be actively practised; the quality of newborns should be improved; and the issue of the imbalance in the sex ratio of newborns should be effectively addressed. The construction of community sports facilities in urban and rural areas should be strengthened, nationwide physical fitness campaigns should be vigorously carried out; and athletic standards should be improved.

(38) Safeguard the masses' lives and property. It is necessary to implement a production safety responsibility system that gives top priority to safety, stresses prevention, and exercises comprehensive management; increase the responsibility of enterprises for production safety; strengthen the production safety supervision and management system; strictly enforce safety-related laws; and strengthen the construction of facilities related to production safety. Production safety in coal mines and other highly dangerous occupations should be addressed conscientiously, and major and deadly accidents should be effectively curbed. Supervision and management of traffic safety should be strengthened in order to reduce the number of traffic accidents. Forecasting of various natural disasters should be strengthened, and the ability to prevent and mitigate disasters should be improved. Supervision and management of food, medicines, and hygiene in the catering industry should be strengthened so as to ensure the masses' health and safety.

X. The whole party and the people of all ethnic groups across the nation should strive in unity for the fulfilment of the 11th Five-Year Programme

(39) Strengthen and improve the party's leadership. The key to successfully fulfilling the 11th Five-Year Programme lies in the party's leadership. It is necessary to persevere in building a party that serves the interests of the public and governs for

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the people, strengthen the building of the party's governing ability and advanced nature, strengthen the construction of leadership teams at all levels and grassroots party organizations, constantly improve the standard of the party's leadership in economic and social development, and further reinforce the party's role as the leadership core. Party committees at all levels should comprehensively analyse and correctly judge the situation in economic and social development, define the basic thinking and key areas of work for economic and social development, strengthen and improve the overall co-ordination of major economic and social affairs, and keep track of the overall situation of socialist modernization.

(40) Strengthen socialist democratic political construction. It is necessary to uphold and perfect the people's congress system, the CCP-led system of multiparty co-operation and political consultation, and the system of autonomy for ethnic regions. It is necessary to actively and prudently continue advancing political structural reforms and to consolidate and expand on the political situation characterized by democracy, unity, liveliness, stability, and harmony. Openness in government affairs should be promoted; grassroots democracy should be developed; and the masses' exercise of their rights to vote, know, participate, and supervise in accordance with the law should be guaranteed. The patriotic united front should be consolidated and expanded to the broadest possible extent. The roles as bridges and links of mass organizations such as trade unions, the Communist Youth League, and women's federations should be brought into play. Work related to ethnic minorities, religion and overseas Chinese should be carried out conscientiously. The basic strategy of governing the country by law should be implemented; the construction of legal institutions should be given impetus on all fronts; and a legal system of socialism with Chinese characteristics should be developed. Laws and regulations regarding players in the market, market trading, market supervision and management, social management, and sustainable development should be perfected. Reforms of judicial structures and work mechanisms should be advanced; judicial acts should be regulated; judicial supervision should be strengthened; judicial fairness should be promoted; and judicial authority should be upheld. Legal knowledge should be disseminated. Human rights should be respected and safeguarded, and an overall development of the cause of human rights should be promoted.

(41) Strengthen the building of socialist spiritual civilization. It is necessary to comprehensively carry out the strategic task of arming the whole party with and educating the people in Deng Xiaoping Theory and the important thinking of the "Three representations," strengthen Marxist theoretical research and construction, adhere to the correct orientation of public opinion, and further consolidate the common ideological basis for concerted efforts by the whole party and the people of all ethnic groups across the nation. Efforts should be made to strengthen education in ideals and convictions as well as ideological and political work; vigorously promote the national spirit with patriotism as the core as well as the spirit of the times with reform and innovation as the core; strengthen socialist ideological and moral construction; promote basic moral standards consisting of patriotism, observance of the law, courtesy, honesty, solidarity, amicability, diligence, frugality, self-strengthening, dedication to work and devotion in the whole of society; further enhance the Chinese nation's cohesive and creative power; and maintain an ebullient and upbeat mental outlook among all the people so as to provide strong ideological guarantees and spiritual impetus for building a well-off society in an all-around way.

(42) Strengthen national defence and army building. It is necessary to uphold the guiding principle of co-ordinating the development of national defence construction and economic construction and to further develop a good situation where national defence construction and economic construction promote each other. It is necessary

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to uphold the guidance of Mao Zedong's thinking on military affairs, Deng Xiaoping's thinking on army building in the new period, and Jiang Zemin's thinking on national defence and army building; uphold the party's absolute leadership over the armed forces; implement strategic principles on military affairs in the new period; keep in mind the need to effectively perform the military's historic mission in a new stage of development in the new century; actively promote a revolution in military affairs [*jun shi bian ge*] with Chinese characteristics; and improve the military's defensive combat capabilities under the conditions of informatization. Efforts should be made to introduce innovative military theories, cultivate a new type of military personnel, develop modern weaponry, promote logistic construction and reform, and perfect overall logistic supporting capabilities. The military should be run strictly in accordance with the law, and the construction of regular troops should be strengthened. The comprehensive construction of the armed police should be strengthened; the ability to mobilize for national defence should be improved; greater national defence awareness should be fostered among all the people; "dual-support" activities [support soldiers and give preferential treatment to their dependents, and support the government and cherish the people] should be carried out intensively; and military-government and military-people unity should be consolidated and developed.

(43) Maintain long-term prosperity and stability in Hong Kong and Macao. It is necessary to uphold the guiding principles of "one country, two systems," "having the people of Hong Kong govern Hong Kong," "having the people of Macao govern Macao," and granting a high degree of autonomy; act in strict accordance with the basic laws of the special administrative regions; strengthen and promote the mainland's exchanges and co-operation with Hong Kong and Macao in economics, trade, science, education, culture, health, sports and other fields; continue to implement the mainland's Closer Economic Partnership Arrangements with Hong Kong and Macao; and strengthen the mainland's co-operation with Hong Kong and Macao in infrastructure construction, industrial development, resource utilization, and environmental protection. Hong Kong should be supported in its efforts to develop such service industries as finance, shipping, tourism, and information, and its status as an international financial, trade and shipping hub should be maintained. Macao should be supported in its efforts to develop tourism and other service industries, and a moderate diversification of its economy should be promoted.

(44) Give impetus to the development of cross-strait relations and the great cause of reunifying the motherland. It is necessary to implement the basic guiding principles of "peaceful reunification and one country, two systems" and the eight-point proposition on developing cross-strait relations at the current stage and advancing the process of peacefully reunifying the motherland; adhere to the one-China principle without wavering whatsoever; not to abandon efforts to seek peaceful reunification under any circumstances; not to change the guiding principle of placing hopes on the Taiwan people under any circumstances; not to compromise in opposing "Taiwan independence" separatist activities under any circumstances; implement the Anti-Secession Law; promote the resumption of cross-strait dialogue and talks on the basis of the one-China principle; and strengthen dialogue and exchanges with various political parties in Taiwan that oppose "Taiwan independence" and advocate the development of cross-strait relations. People-to-people exchanges and contacts across the Taiwan Strait should be expanded; the legitimate rights and interests of Taiwan compatriots should be safeguarded; comprehensive, direct, and two-way "three links" should be facilitated; the establishment of a stable cross-strait economic and trade co-operation mechanism and the development of cross-strait relations should be promoted; and peace and stability in the Taiwan Strait should be preserved. Economic development on the west coast of the Taiwan Strait

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and in other regions with relative concentrations of Taiwan investment should be supported, and cross-strait economic and technological exchanges and co-operation should be promoted.

(45) Actively foster a good external environment. It is necessary to uphold the independent foreign policy of peace, adhere to the path of peaceful development, and foster a good environment for modernization in the country's vicinity and in the international arena. The basic standpoint of unity and co-operation with developing countries should be consolidated and strengthened; the fields of co-operation should be expanded; and the results of co-operation should be improved. The foreign policy of fostering friendly relations and partnerships with neighbouring countries should be upheld, and mutually beneficial co-operation with neighbouring countries should be taken to a new level. Common interests with developed countries should be expanded; various contradictions and problems should be properly handled; and mutual relations should be further improved and developed. An active part should be taken in multilateral foreign affairs, and international co-operation should be promoted. People-to-people diplomacy should be conducted extensively and intensively; cultural exchanges should be carried out; external propaganda work should be strengthened; and mutual understanding and friendship with the peoples of other countries in the world should be enhanced.

(46) Comrades in the whole party should play a vanguard and exemplary role in the course of building a well-off society in an all-around way. All Communist Party members should foster firm ideals and convictions, adhere to the party's basic aims, do their work conscientiously, and work unswervingly for the cause of building socialism with Chinese characteristics. Leading cadres at all levels should faithfully implement the party's mass line; persevere in exercising power on behalf of the people, show concern for the people, and serve the people's well-being; overcome formalism and bureaucratism; and always maintain the party's flesh-and-blood ties with the masses. It is necessary to remain upright and honest; consciously oppose corruption, promote honesty, resist decadence, and guard against degeneration; and always maintain the political qualities of the Communists. It is necessary to uphold the guiding principles of tackling both root causes and immediate causes, exercising comprehensive management, combining punishment with prevention, and emphasizing prevention; establish a sound system for punishing and preventing corruption that places equal emphasis on education, institutions, and supervision; resolutely correct unhealthy practices that harm the interests of the masses; and create a good environment for economic and social development and social stability. It is necessary to persevere in seeking the truth and acting pragmatically and to carry forward the fine traditions of modesty, prudence and hard struggle.

Comrades in the whole party and the people of all ethnic groups across the nation should rally closely around the party Central Committee with Comrade Hu Jintao as general secretary; hold aloft the great banner of Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory, and the important thinking of the "three representations"; uphold the party's basic line, basic programme and basic experience; comprehensively implement a scientific development concept; work enthusiastically and in a down-to-earth manner; forge ahead with keen determination; act in a pioneering and innovative spirit; and strive for the fulfilment of the 11th Five-Year Programme for National Economic and Social Development and for the realization of the grand goal of building a well-off society in an all-around way!

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