Quarterly Chronicle and Documentation

(January–March 2001)

Abbreviations

FE —British Broadcasting Corporation, *Summary of World Broadcasts, Part 3: Asia Pacific*
FEW —Weekly Economic Report
XHNA—Xinhua (New China) News Agency
CNA —Central News Agency (Taipei)
ZTS —*Zhongguo tongxun she* (*China Reporting Agency*), Hong Kong
ZXS —*Zhongguo xinwen she* (*China News Agency*), Beijing
RMRB —*Renmin ribao* (*People's Daily*)

1. Internal Developments

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1. Internal Developments

(a) *The 20th Session of the Ninth NPC Standing Committee*

The 20th Session of the NPC Standing Committee was held in Beijing between 26 and 28 February. Delegates examined and approved the draft agenda of the forthcoming (Fourth) full NPC session, as well the name list of its Presidium. They also deliberated a variety of legislation, including draft amendments to the PRC Pharmaceutical Administration Law (see FE/4081) and the Law on Autonomy for Ethnic Nationality Areas.

It was revealed that the NPC Standing Committee would formulate a draft law, seeking to prevent and control desertification in the interests of

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enhancing China's bio-safety. A report highlighted the serious extent of the problem (see FE/4081). It noted that desertification had absorbed 100,000 sq km of arable land since the 1950s, and that between 1985 and 1995, some 2,460 sq km were being lost annually as a result of such encroachment. The problem was attributed to over-grazing by sheep and cattle, and to "other unreasonable" methods of exploiting China's natural resources.

Two ministerial-level appointments were announced at the Standing Committee meeting. First, Li Rongrong was promoted to the post of Minister of the State Economic and Trade Commission in place of Sheng Huaren. Secondly, following the removal of Zhu Lilan, Xu Guanhua was appointed as Minister of Science and Technology (FE/4084).

(b) *The Fourth Session of the Ninth NPC*

On 4 March, Li Peng (Chairman of the NPC Standing Committee) presided over a preparatory meeting of the Fourth Session of the Ninth NPC. The 2,674 delegates in attendance elected the 165-member presidium (including its Secretary-General, Vice-Premier Tian Jiyun) and approved the agenda for the coming meeting (FE/4086).

The Fourth Session of the Ninth NPC opened in Beijing on 5 March. As usual, the main event of the opening day was the presentation by the Chinese Prime Minister, Zhu Rongji, of his report on behalf of the government (the complete text is available in FE/4087; also relevant is FEW/0682).

The focus of Zhu's speech was the latest (Tenth) "Five-Year Plan for National Economic and Social Development" (hereafter 10FYP), which would extend from 2001 until 2005. The Premier's introductory remarks were a review of the achievements of the previous (Ninth) Five-Year Plan (1996–2000) (9FYP). Thus, he noted that during this period, GDP had grown, on average, by 8.3 per cent p.a., as a result of which the original target calling for the quadrupling of the 1980 level of per capita GDP by 2000 was over-fulfilled. In the same period, state revenue had risen by 16.5 per cent p.a.

The Chinese Premier rehearsed a litany of economic successes under the 9FYP. Commodity shortages had disappeared; good progress had been made towards the readjustment of the industrial sector's output mix; and there had been major increases in food grain production (thereby facilitating a "historical transformation" from long-run agricultural supply shortages to a basic balance between demand and supply – and, at times, the generation of surpluses). Accelerated reform of the banking sector was another feature of developments under the 9FYP, as were improvements in financial and tax administration. Technological improvements had also been in evidence: progress had been made towards the elimination of obsolete products and the removal of excess capacity in industry, and there had been rapid growth in the output of high-tech sectors (especially the information industry). Infrastructural shortages (for example, in energy and transport) had been alleviated. The conversion of

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enterprises from a loss-making to profit-making status (cf. the 190 per cent rise in state-owned enterprise (SOE) profits between 1997 and 2000 to 239.2 billion *yuan*) was evidence of progress towards the creation of a modern enterprise system for large and medium-scale industrial enterprises. The role of the market in resource allocation had been further enhanced and Zhu claimed that a "socialist market economy … [had been] … initially established" in China.

The Chinese Premier also drew attention to the performance of China's foreign economic relations in the second half of the 1990s. In 2000, the value of China's exports was US$249.2 billion (69 per cent higher than in 1995); imports meanwhile had risen by 67 per cent to reach US$225.1 billion (implied in these figures was a merchandise surplus of US$24.1 billion). Moreover, the export mix had improved, with electronic, mechanical and high-tech products assuming a higher share of export value. Between 1996 and 2000, the cumulative value of utilized foreign capital inflows was in excess of US$289.4 billion – a rise of 79.6 per cent above the equivalent level of the Eighth Five-Year Plan. At the end of 2000, China's foreign exchange reserves totalled US$165.6 billion (US$92 billion more than at the end of 1995).

There had also been improvements in welfare – not least, a major reduction in the number of people living in absolute poverty. Zhu revealed that in 2000, per capita rural net income was 2,253 *yuan* (implying an average rate of growth of 4.7 per cent p.a. in real terms between 1995 and 2000), compared with an average per capita urban disposable income of 6,280 *yuan* (5.7 per cent p.a., 1995–2000).

Finally, Zhu claimed that under the impact of 9FYP policies, improvements in macroeconomic management and regulation were reflected in five important areas:

- the maintenance of economic development as the government's core task, thereby facilitating the attainment of rapid and sustained development;
- the achievement of a "soft landing" in the face of growing inflationary pressures;
- subsequently, the use of a proactive fiscal policy to enhance domestic demand in the face of *deflationary* pressures;
- the integration of enhanced domestic demand with the process of economic restructuring;
- the correct handling of inter-relationships between reform, development and stability.

In sum, Zhu summarized the achievements of the 9FYP in the following words: "With the completion of the Ninth Five-Year Plan, we [have] fulfilled the second step of the strategic objectives for modernization, laying a sound foundation for the implementation of the third step … during the Tenth Five-Year Plan …"

Such success notwithstanding, the Chinese Premier conceded that serious problems remained. They included: the backward state of China's scientific and technological capacities; the persistence of shortages of key

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resources (especially water and oil), and continuing environmental degradation; the continuing rise in unemployment, as well as slow rates of growth of income among peasants and certain groups within the urban population; confusion in "market economic order" in some areas; serious levels of corruption, waste and extravagance, and persistent problems of "formalistic and bureaucratic" work styles; and the poor state of public order in parts of the country.

Zhu Rongji was at pains to emphasize the importance of the coming five years for China's economic and social development. He described the demands of China's scientific and technological development, and the pressures arising out of increasing globalization and industrial restructuring by other countries as a "grim challenge." Meeting such challenges, as well as those associated with China's impending accession to the World Trade Organization (WTO) would be a difficult task, not least in the face of the many "deep-seated contradictions" which it faced at home.

Central to a successful development trajectory in the next five years was the need for "fairly fast" economic growth and further progress towards "strategic restructuring" (especially improvements in the quality and efficiency of growth). The overarching macroeconomic objective was to double the 2000 level of GDP by the year 2010 – a target, which, if it were to be fulfilled, implied an average rate of GDP growth of some 7.2 per cent p.a., slightly lower than the rate of GDP expansion achieved during the 9FYP period (see also FE/4090 for further discussion of what constituted an appropriate rate of economic growth). Other goals included further progress towards the creation of a truly modern enterprise system and the perfection of the social security system.

Zhu argued that further development would necessitate further economic restructuring. One structural requirement was to effect a shift from an extensive to an intensive growth pattern – a process that would be assisted by the implementation of further reform, opening up and the advancement of education, science and technology (these constituting the main "driving forces" behind future development). Another was to adjust patterns of development between regions and between sectors, such as between industries, and between cities and countryside. Meanwhile, the agricultural imperative was reflected in the demand that the farm sector continue to be regarded as the foundation of the economy (on this aspect, see also Jiang Zemin in FE/4090). Finally, the report made clear that improvements in the living standards of both the urban and rural populations were regarded as a key premise underlying the developmental strategy. Hence, the importance of integrated economic *and social* development in order to maintain social stability and reach a proper balance between population, natural resources and environment.

A propos the fundamental developmental contribution of agriculture, the Chinese Premier argued that the use of better seed strains, and the search for better quality and higher returns held the key to achieving accelerated farm growth (including the further development of animal husbandry, aquaculture and forestry). He also called for a more rational

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distribution of farming activities in accordance with the dictates of the principle of comparative advantage. Important too was the need to increase the degree of agricultural marketization, to promote the "industrialized management of agriculture" and to use science and education (especially research in, and the development and application of biotechnology) in order to enhance the economic base of Chinese farming.

As for the institutional framework, stable and long-term land contracts would be the cornerstone of organizational arrangements for farmers. Where appropriate, the possibility of establishing a system of transfer of land use rights should be investigated. Against the background of accelerated infrastructural construction in both the agricultural and broader rural economies, investment in water and efforts to conserve the arable land base would be high priorities. Last but not least, it was essential to combat rural poverty by replacing the system of administrative fees and taxes in rural areas with higher formal farm and associated taxes.

On the question of structural reform in industry, Zhu Rongji drew special attention to the need to promote the development of new and high-tech industries, as well as to "use information technology to stimulate industrialization." In pursuit of the creation of a more effective economic infrastructure, he stressed the strategic importance of both water and energy (especially oil). He predicted that excess demand for oil would persist and increase: hence the need to conserve existing supplies, as well as to explore and exploit new domestic sources – and use overseas resources in a "positive" fashion. The renovation of large coal mines also had an important role to play in developing a firmer domestic energy base.

Meanwhile, tertiary sector expansion would continue to assume a high priority, with special efforts being directed towards the accelerated development of information services, banking, accounting, consulting and law. The expansion of each of these industries was essential to the success of economic restructuring and to the expansion of employment opportunities.

Zhu's report reaffirmed the strategy of developing the West of China in the interests of achieving a more co-ordinated pattern of regional development. Here, the focus would be on major projects of strategic importance. Priorities would include projects designed to conserve water resources, to protect natural forests, and to return arable land to forest or pasture use in order to combat problems of desertification. But although it was revealed that more state investment would be directed towards Western China (and, to the same end, more funds be transferred, as appropriate, from national to local budgets), these regions were also urged to seek foreign financial assistance and to pursue local self-reliance.

Under the rubric of the development and application of modern science and education, Zhu called for an intensification of "strategically significant, high-tech research," as well as for technological support to

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upgrade more traditional industries. The creation of a more effective framework of basic and applied research promised to facilitate China's emergence as an international force in such areas of activity. The development of "future-orientated" education would also serve the needs of future economic and social development To this end, the development of vocational education and its integration with the national educational programme had an important role to play, as did the expansion of adult education. An increase in educational investment by the state (including provision for better teacher pay, and for more grants and scholarships) had an important role to play in making such promises reality.

In the interests of moving closer to the establishment of a socialist market economic system, the next five years would witness a deepening of China's programme of economic reforms and opening to the outside world. The Chinese Premier's report insisted that SOE reform held the key to the creation of a "modern corporate" industrial structure (on SOE reform, see also remarks by Vice-Premier Wu Bangguo in FE/4088). It urged large and medium-sized enterprises to adopt a share-holding system and, subject to the retention by the state of a controlling share in "strategic enterprises," to modernize their operational methods by listing their shares on stock markets.

More generally, the familiar demand was made that the public sector should remain dominant within the economy. Thus, "let the state-owned sector play the leading role, develop various forms of collective undertakings, and support, encourage and guide the healthy development of private and individual sectors of the economy." Financial and fiscal reforms, and a more rational system of investment were regarded as important ways of improving macroeconomic regulation and control. To the same ends, it was important to follow a prudent monetary policy, and to maintain the momentum of the reform of state-owned banks.

In order to meet the twin challenges of globalization and membership of the WTO, it was essential that the competitiveness of China's enterprises be improved. Merchandise trade would also be expanded, the emphasis being on improvements in the quality and variety of exports (especially through an increase in the share of high-valued added and high-tech goods). Priority imports included advanced technology, key equipment and essential raw materials.

Complementing such trade developments, Zhu called for a more effective use of foreign capital. He reaffirmed the government's commitment to gradually opening up the service sector to foreign investment. Important too was the need to make better use of China's own outward investment.

In the pursuit of further improvements in living standards, the further development of the social security system was seen as a key issue – not least, in order to provide proper care for laid-off workers and timely payments to old-age pensioners. The social security system to which the government aspired was one that would be "independent from (sic) enterprises and institutions, and supported by funds from diversified sources." Measures were also needed in order to enhance unemployment

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insurance and medical insurance schemes (see also FE/4095, for reports of NPC deputies' calls for accelerated medical insurance reform).

In order to accommodate the needs of sustainable development, it was important to improve the co-ordination of development of human and natural resources, and the environment (see also Jiang Zemin on the need for simultaneous population control, resource management and environmental protection in FE/4093). Central to this task was the need to maintain a low birth rate, which, in turn, required intensified family planning efforts in the countryside and associated supportive legislation. Zhu called too for the establishment of a system of reserves for strategic mineral resources, and advocated measures that would facilitate more effective methods of conservation and recycling.

In the final part of his report, the Chinese Premier turned to non-economic issues. In particular, he stressed the importance of inculcating cadres with "proper" values and of maintaining the momentum of the ongoing "three representations" campaign (see also under (c) below). As he put it, "we need to develop a socialist democratic political system, govern the country according to the law, and make China a socialist country ruled by law." Other important priorities were to improve social order and combat threats to social stability, posed by "ethnic separatist activities, religious extremist forces, violent and terrorist activities, cults, and illegal activities carried out under the guise of religion."

Against the background of what he regarded as the successful retrocession of sovereignty over Hong Kong and Macau, Zhu Rongji spoke of the urgency of finding an early settlement of the Taiwan issue. He suggested that a peaceful process of reunification could be found, if only the relevant parties committed themselves to the principle of "one country, two systems" and to Jiang Zemin's eight-point proposal (January 1995).

The response to Zhu Rongji's report was positive. Some deputies interpreted his outline of the 10FYP as evidence of the abandonment of "directive plans" in favour of "guiding indices," and of a retreat by the government from a directly supervisory role to one that would focus on the formulation of development strategies and plans. It was later reported that 40 amendments had been made to the 10FYP document, of which 23 were described as having been "relatively important" (see FE/4097).

Although the report devoted minimal space to issues affecting China's foreign relations, remarks made at a news conference by the Chinese Foreign Minister highlighted the government's priority of foreign policy concerns (see FE/4089). He revealed that Vice-Premier Qian Qichen would visit the United States between 18 and 24 March, during which he would meet the new American President, George W. Bush. Meanwhile, Tang spoke of the positive attitude towards the further development of bilateral relations and co-operation shown by both Washington and Beijing, whilst also acknowledging the existence of differences and problems between the two sides, especially over Taiwan.

Tang spoke of the favourable momentum of the development of Sino-Russian relations. He noted that President Putin would visit China

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twice in 2001, and that he himself would travel to Moscow. He described the current state of bilateral relations as a "new-type, normal state-to-state relationship … neither an alliance, nor [a relationship] targeted at any third country or third party."

On Sino-Japanese relations, the Chinese Foreign Minister expressed his government's grave concern about the textbook issue and Japan's failure still to address its "past history of aggression." He laid the responsibility for this ongoing problem firmly at the feet of the Japanese government.

Tang Jiaxuan emphasized the sensitivity of the Taiwan issue and accused the United States of having become "an important outside factor that has come in the way of China's peaceful reunification." He warned the United States not to sell advanced weaponry, such as Aegis destroyers and Patriot III anti-missile equipment, to Taiwan, arguing that such sales would only serve to encourage the activities of pro-Taiwanese independence elements in Taiwan.

The report by Xiang Huaicheng, Minister of Finance, revealed that national revenue in 2000 had totalled 1,338.011 billion *yuan*, 104.234 billion *yuan* above the planned level and 193.6 billion *yuan* more than in 1999 (a rise of 16.9 per cent) (FE/4089).

Xiang also indicated that in 2001, national defence spending would rise by 17 per cent to reach 141 billion *yuan*, or 8.1 per cent of total planned expenditure (implied in these figures is therefore a total level of spending of 1,740.74 billion *yuan*) (see FE/4094). An unconfirmed report from Hong Kong suggested that one important reason for the relatively large rise in China's planned military expenditure was the expected increase in salaries and other benefits payable to officers and soldiers of the People's Liberation Army (PLA) from April 2001 (see *Ming Pao* [*Mingbao*] web site, 6 March in FE/4094).

It was subsequently reported that NPC delegates had endorsed the 2000 budget and draft budget for 2001 (FE/4098).

On 9 March, Li Peng delivered his work report on behalf of his colleagues in the Standing Committee of the NPC (FE/4091). It revealed that during 2000, Standing Committee members had adopted 14 laws, one decision on legal problems and one judicial interpretation. A further 12 bills were under review. In 2001, Li stated that China would complete the amendments to the Marriage Law, as well as working on new laws (including the Civil Code and economic laws embracing the dumping of foreign products, social security and anti-monopoly legislation). He also revealed that the NPC was to conduct a nation-wide inspection of enforcement of the Compulsory Education Law.

In his work report (FE/4092), delivered to NPC delegates on 10 March, Xiao Yang, President of the Supreme People's Court, spoke of the poor ideological and political quality, and lack of professional legal competence of China's judges. He noted that some judges had abused their authority and failed to uphold the law properly. Others had displayed deficiencies of judicial management and supervision. Xiao Yang commented, "In view of the increasingly heavy judicial task, the drastically

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rising number of cases, the manpower shortage, and the ever-growing contradiction in the poor quality of judges, it will be difficult for some courts to ensure the quality of trials and to raise their efficiency …"

On behalf of the Supreme People's Procuracy, Han Zhubin, Procurator-General, used his report – also delivered on 10 March – to urge procuratorial organs to reflect the thinking of the "three representations" in their work (FE/4092). He delineated three foci for 2001: to safeguard social stability; to strengthen the construction of grassroots procuratorial offices; and to raise the overall standard of procuratorial work. Han also urged that more attention be given to the ideological and political content of procuratorial work in 2001.

At a news conference on 13 March, Shi Guangsheng, Minister of Foreign Trade and Economic Co-operation, suggested that China's foreign trade would slow down during 2001. He predicted, however, that by 2005, the combined value of exports and imports would reach US$680 billion. By then, the share of electrical and electronic goods and machinery in total exports would have reached 50 per cent, and that of high-tech goods, 20 per cent. Shi also predicted that annual inflows of foreign direct investment would average some US$40 billion during the 10FYP period (FE/4094).

The Fourth Session of the Fifth NPC closed on 15 March, all the major reports having been approved by delegates.

[**Note**: For reports on the Fourth Session of the Ninth National Committee of the Chinese People's Political Consultative Conference (CPPCC), held between 3 and 12 March, see FE/4086, which contains the text of Chairman Li Ruihuan's speech, FE/4087–90, FE/4092 and FE/4094; and also see *RMRB*, 3 March.]

(c) *Party and Political Affairs, and Ideological Developments; Administrative Reform; Falun Gong*

A Hong Kong source (*Hsin Pao* [*Xinbao*], 9 February) reported that members of the CCP Central Discipline Inspection Commission (CDIC) had acknowledged the arduous nature of efforts to combat and eliminate corruption. It quoted "informed sources" in Beijing to the effect that Jiang Zemin had warned of the danger that the Chinese Communist Party might lose its popular support. The report noted that the maintenance of social and political stability in China depended on bringing "practical tangible economic benefits" to the masses. In particular, urgent measures were needed that would raise farmers' incomes, reduce unemployment and improve social stability (see FE/4069).

The momentum of anti-corruption activities was maintained throughout the quarter. Thus, a *ZTS* report noted that some 4,000 persons suspected of involvement in bribery and embezzlement cases were on the run in China. They were said to be in possession of more than 5 billion *yuan* of public money (FE/4054). Meanwhile, in Hangzhou on 9 February, following his trial for being in receipt of bribes (including 150,000 *yuan* and US$95,000), the former Mayor of Taizhou (Zhejiang), Sun Yanbiao, was

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sentenced to life imprisonment, and property worth 150,000 *yuan* confiscated. His wife was sentenced to 12 years in prison for having been an accessory in the case.

In January, *Renmin ribao* marked the start of a two-year rural ideological campaign, designed to strengthen relations between the CCP and peasants, and enhance "spiritual civilization, democracy and legality" in the countryside (*RMRB* web site, 3 March in FE/4037). Such work was regarded as part of the wider task of trying to inculcate the "three representations" throughout the rural sector. (The "three representations" refers to the importance of the CCP in national modernization, "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.") The importance of the rural ideological campaign was suggested in its description as "an important project of infrastructural construction started by our Party with a view to effectively solving agricultural, rural, and peasants' problems." To these ends, the campaign sought to enhance and protect peasants' interests and raise their enthusiasm in an attempt to resolve "problems affecting the vital interests of the peasants … such as too heavy a burden …, unwarranted pooling of funds, arbitrary requisition of donations, indiscriminate collection of fees, and unjustified imposition of fines which have yet to be stopped despite repeated prohibitions."

The supposed threat posed by the activities of the outlawed *falun gong* sect (described variously as a "subversive cult" (FE/4060) and the "running dogs of international anti-China forces" (FE/4063), engaged in a "serious political struggle" (FE/4063)) was a source of continuing concern throughout the quarter. Following the reported beating to death of four *falun gong* members held in police custody in Shandong and Sichuan, the Information Centre for Human Rights and Democracy (ICHRD) in Hong Kong stated that at least 92 detained followers had been persecuted to death since the sect was banned in July 1999 (FE/4035; and see ICHRD in FE/4044 for a later report on the deaths of three more detained *falun gong* members). Xinhua revealed that on 23 January, five members of the sect had made suicide attempts by setting themselves alight in Tiananmen Square. One person was reported to have died, and the four others were injured in the "suicidal blazes"; the following month, also in Beijing, another follower successfully burnt himself to death, having doused himself with petrol (FE/4052 and 4073, and see FE/4058, 4059 and 4079). The true scale of such phenomena was, however, only suggested in another Xinhua report, which claimed, on the basis of incomplete statistics, that some 239 *falun gong* members had committed suicide, 136 of them before the 1999 prohibition of the cult and 103 subsequently (FE/4085).

Meanwhile, there were fierce attacks on the *falun gong* leader, Li Hongzhi. Li was accused of having sought support from Western anti-China sources and was even compared with Hitler (see *RMRB*, Overseas Edition, web site, 3 February). In particular, the charge was laid at his feet of being the leader of a movement that had "become increasingly

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open in colluding with forces within and outside the country, such as 'Taiwan independence' and 'democratic movement' forces" (FE/4037; see also FE/4083, and *RMRB*, 10 January and 1 March).

In February, *Renmin ribao* claimed that organizational reforms of provincial-level organs had been basically completed. It revealed that, on average, the number of provincial-level organs had been reduced from 55 to 40, while the number of associated staff personnel had fallen by some 74,000 (FE/4064; see also FE/4075 for a report on the completion of the streamlining of Party and government organs in Hainan). An unconfirmed report from Hong Kong quoted "informed sources" to the effect that almost 30 per cent of incumbent ministerial-level officials would withdraw from the CCP Central Committee during the next (16th) National Party Congress (*Ming Pao* web site, 26 February).

Another speculative report from Hong Kong suggested that Vice-President Hu Jintao – widely tipped to succeed to Jiang Zemin's posts of Party leader and State President – had recently been active in promoting personal followers to key central and regional positions (see Willy Wo-lap Lam in *Ping-kuo jih-pao* [*Pingguo ribao*] (*Apple Daily*, 31 January)). Hu was said to have set up a private think-tank, manned mainly by supposedly "liberal" elements drawn from the Central Party School and the Chinese Academy of Social Sciences (CASS). According to the report, doubts were being expressed about Hu's loyalty to Jiang Zemin and his "faction" (FE/4062).

In response to the publication in the United States of the *Tiananmen Papers* (translations of excerpts from documents detailing debates and discussions at the highest level within the Chinese government at the time of the political upheavals of the "Beijing Spring" in 1989), a Chinese Foreign Ministry spokesman insisted that "our party and government have already reached a correct verdict … [on] … the political disturbances [of 1989]" and that "this verdict will not change" (XHNA, 9 January in FE/4040). Subsequently, a Hong Kong source reported that in a meeting with the visiting leader of the Japanese Social Democratic Party, Jiang Zemin himself had repudiated the so-called "secret documents" (*Ching-chi jih-pao* [*Jingji ribao*] (*Economic Daily*), 11 January in FE/4043; see also FE/4045).

(d) *Statistical Communiqué on National Economic and Social Development during 2000*

[**Notes**: The figures showing percentage changes in production over 1999 are taken verbatim from the National Bureau of Statistics (NBS) communiqué. They do not always coincide with the estimates which would be obtained from data shown in the State Statistical Bureau *1999* communiqué and cited in "Quarterly Chronicle" in *CQ*, No.162 (June 2000), pp.603–608.

Data in square brackets show percentage increases for 1999 and are included for comparative purposes.]

Details of the State Statistical Bureau's most recent communiqué were

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made available on 28 February (see the Chinese-language version at http://www.snweb.com). Preliminary comment drew attention to success in strengthening "socialist spiritual civilization," as well as achieving further successes in economic reform and fulfilling the targets of the 9FYP.

Preliminary statistics indicated a rise in GDP of 8 per cent in 2000 (cf. 7.1 and 8.8 per cent in 1999 and 1998) to reach 8.9404 trillion *yuan*. As in previous recent years, all three major sectors shared in this performance, although industrial growth (9.6 per cent) once more outstripped that of both agriculture (2.4 per cent) and services (7.8 per cent). Significantly, both secondary and tertiary sectors showed accelerated growth over 1999 [8.1 and 7.8 per cent], while the rate of agricultural expansion marginally slowed down [2.8 per cent].

Notwithstanding improvements in China's domestic economic environment and in its foreign economic relations, the communiqué acknowledged the persistence of various serious problems throughout 2000, including structural "contradictions," slow growth of farm incomes, daily living difficulties among various groups, poor enterprise competitiveness, and lack of progress in the implementation of SOE reform. Reference was also made to the poor state of social order in parts of the country.

The main features of China's economic performance during 1999 are summarized below.

Agriculture: the positive momentum of farm growth was maintained, although the rate of expansion of agricultural gross value output slowed to 2.4 per cent (cf. 3.5 per cent (1998) and 2.8 per cent (1999)).

Within the farm sector, against the background of a run of several outstanding grain harvests, the most noticeable feature was the quite large decline – by 9 per cent – in total food grain production. In absolute terms, grain output fell from 508.4 million tonnes to 462.51 million.

The production of major agricultural items is shown in Table 1. Further progress was evident in other areas of farming. The sown area under vegetables expanded by 10.1 per cent, and there were improvements in the quality and variety, as well as the output, of vegetables. The process of afforestation was given renewed impetus by the return of arable land to tree planting (as well as to pasture). Thus, during 2000, the newly afforested area was extended by a further 5.16 million hectares, of which 710,000 hectares were converted from arable land. There were also further significant rises in the output of meat (by 5.4 [4.0] per cent) to reach 62.7 million tonnes; and of fish (by 4.1 [5.0] per cent) to 42.9 million tonnes.

Industry: Table 2 provides an overview of China's industrial performance in 1999. Industrial restructuring continued, as an increasing number of enterprises – especially large and medium-scale units – shifted from loss-making status to profitability and simultaneously began to transform themselves into a "modern enterprise system" (*xiandai qiye zhidu*). Between the end of 1997 and 2000, the number of loss-making large and medium-sized SOEs had fallen from 6,599 to less than 2,000.

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Table 1: **Output of Major Agricultural Products, 2000**

	Total output 2000 (m. tonnes)	*% change over 1999*
Food grains	465.21	− 9.0
Cotton	4.35	13.6
Oil-bearing crops	29.50	13.4
(Peanuts)	(14.50)	(14.7)
(Rapeseed)	(11.40)	(12.5)
Sugar cane	66.40	− 11.1
Sugar beet	8.10	− 6.2
Cured tobacco	2.22	1.4
Tea	0.68	0
Jute, ambary hemp	0.13	− 20.7
Fruit	61.20	− 1.9

Table 2: **Major Indicators of Industrial Performance, 1999**

	% rise in 2000	*% rise in 1999*
Industrial value-added	9.9	8.5
light industry	9.5	8.3
heavy industry	13.0	9.5
Value-added of:		
state-owned industry	11.4	8.9
collective industry	7.4	11.2
foreign-funded enterprises (including Hong Kong, Macau and Taiwan)	14.6	12.9

Production indicators of some important industrial products are shown in Table 3.

Fixed investment: the continued pursuit of proactive financial policies and other measures, designed to expand domestic demand, facilitated a quite sharp increase (by 9.3 per cent [5.2 per cent]) in fixed investment during 2000. Disaggregate data showed that the corresponding figure for state-owned units was 9.2 [6.1] per cent – exactly the same as investment carried out by collectively-owned units. Increases in major categories of investment were as follows: basic construction, 6.1 per cent; renovation and upgrading, 13.2 per cent; and real estate, 19.5 per cent. In terms of geographical regions, the most rapid rate of fixed investment was attained in Western China (up 14.4 per cent), followed by Central China (13.8 per cent) and Eastern China (8.3 per cent).

Transport and telecommunications: there was a further significant

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Table 3: **Output of Major Industrial Items, 2000**

	Total output 2000	*% change over 1999*
Light industry		
Cotton yarn	6.57 m. tonnes	+ 16.0
Cloth	27.70 b. metres	+ 10.9
Sugar	7.00 m. tonnes	− 18.7
Cigarettes	33.97 m. boxes	+ 1.7
Colour TV sets	39.36 m. units	− 7.7
Refrigerators	12.79 m. units	+ 5.7
Heavy industry		
Total energy (standard fuel equivalent)	1.08 b. tonnes	− 1.8
Coal	0.98 b. tonnes	− 4.5
Crude oil	163.00 m. tonnes	+ 1.9
Electricity	1.36 b. kWh	+ 9.4
Steel	128.50 m. tonnes	+ 3.4
Rolled steel	131.46 m. tonnes	+ 11.2
Cement	597.00 m. tonnes	+ 4.2
Timber	45.00 m. cu. m.	− 10.9
Chemical fertilizers	31.86 m. tonnes	− 2.0
Pesticides	0.67 m. tonnes	− 2.9
Power-generating equipment	12.49 m. kW	− 8.8
Ethylene	4.80 m. tonnes	+ 8.0
Tractors	0.41 m. units	− 37.3
Motor vehicles	2.07 m. units	+ 12.9
Cars	0.61 m. units	+ 6.3
Integrated circuits	5.88 b. units	+ 41.7
Programme controlled switchboards	71.36 m. lines	+ 51.0

increase – by 7.9 per cent – in passenger traffic during 2000 (cf. 9.3 per cent in 1999), especially by air (up 16.2 per cent, compared with 8.5 per cent by rail and 6.5 per cent by road; by contrast, passenger transport by water *fell* by 3.1 per cent). Freight traffic rose by 7.1 [8.2] per cent, thanks mainly to a 14.6 per cent rise in air freight traffic. The volume of cargo handled at major coastal ports increased sharply by 21.7 [13.0] per cent to reach 1.28 billion tonnes.

Posts and telecommunications were again a spectacular growth area: following three consecutive years in which the value of such activities had risen by more than 30 per cent annually, in 2000 the corresponding figure was a remarkable 41.9 per cent.

Domestic trade: under the impact of expansionary economic policies,

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domestic consumer confidence strengthened in 2000. Overall, retail sales of consumer goods rose by 11.4 per cent in real terms (10.6 per cent in the cities, and 8.3 per cent in rural areas). Following two years in which deflationary tendencies had been in evidence, in 2000, the general consumer price index increased by 0.4 per cent (cf. − 1.4 per cent in 1999). Taken as a whole, the price of services rose by 14.1 per cent, and of housing by 4.8 per cent. But except for fruit and vegetables, whose prices increased, other food prices showed a downward trend. Thanks to a rise in global oil prices, ex-factory industrial goods prices moved up by 2.8 per cent, while energy, raw materials and power prices increased by 5.1 per cent.

Further disaggregated data on price changes are shown in Tables 4 and 5.

Foreign trade and external relations: thanks to more buoyant economic conditions at home and abroad, as well as the effect of the government's further implementation of stimulatory measures, China's foreign trade maintained a rapid rate of expansion. Thus, the combined

Table 4: **Changes in Residents' Living Costs, 2000**

	Annual % change, 2000 (corresponding figures for 1999 in brackets)
National consumer prices	0.4 (− 1.4)
Urban areas	0.8 (− 1.3)
36 large/medium-sized cities	1.3 (− 0.8)
Rural areas	− 0.1 (− 1.5)

Table 5: **Changes in the Consumer Prices of Selected Goods, 2000**

	Annual % change, 2000 (corresponding figures for 1999 in brackets)
Food	− 2.6 (− 4.2)
Grain	− 11.4 (− 3.1)
Fresh vegetables	+ 5.5 (− 0.7)
Aquatic products	+ 1.7 (− 6.7)
Meat, poultry, etc.	− 1.5 (− 9.3)
Clothing	− 0.1 (− 2.7)
Household appliances	− 2.3 (− 2.3)
Medicines	+ 0.3 (+ 0.9)
Services	+ 14.1 (+ 10.6)
Housing	+ 4.8 (+ 1.7)

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value of exports and imports rose by 31.5 per cent to reach US$474.3 billion in 2000 – almost three times that of the previous year's relative increase [11.3 per cent]. The value of China's exports was US$249.2 billion (up by 27.8 per cent [6.1 per cent]), while imports surged by 35.8 per cent [18.2 per cent] to US$225.1 billion. The net outcome was to generate a merchandise trade surplus of US$24.1 billion [US$29.1 billion].

The state-owned sector generated exports valued at US$116.5 billion, a rise of 18.2 per cent above that of 1999. In value terms, exports from foreign-funded enterprises were slightly less (US$105.2 billion), although the annual rate of increase was substantially larger at 34.8 per cent. Notable features of China's export performance included a rise of 36.9 per cent in the value of overseas sales of electrical and mechanical goods, and of 50 per cent in that of high-tech products. Imports of these same two categories of goods rose by 32.6 and 39.7 per cent respectively.

Declines in inflows of both contracted and utilized foreign direct investment during 1999 were reversed in 2000. Most striking was a rise in contracted FDI (by 51.3 per cent); utilized inflows of foreign capital also increased, albeit marginally (by just 1 per cent).

Banking and insurance: the SSB communiqué noted that at the end of 1999, savings deposits lodged in all kinds of financial institutions totalled 12,380 billion *yuan*, 13.8 [13.7] per cent higher than at the end of 1999 (18.6 [14.5] per cent more for enterprises, and 7.9 [1.6] per cent more for urban and rural savers).

Currency in circulation (M0) rose by 8.9 [20.1] per cent; the corresponding figures for narrow (M1) and broad (M2) money were 16 [17.7] and 12.3 [14.7] per cent.

Welfare and living standards: per capita cash disposable income of urban residents reached 6,280 *yuan* in 2000 (a real rise of 6.4 [9.3] per cent over 1999). The decline in grain output impacted on farm incomes, and rural residents' average per capita net income was 2,253 *yuan* – only 2.1 [3.8] per cent more in real terms than in the previous year.

In 2000, China's total workforce rose by 5.64 million to reach 711.56 million (212.74 million – a rise of 2.6 million – in the urban sector alone). The number of SOE workers laid off during the same period was 6.57 million, 470,000 more than in 1999. Of these, 3.61 million subsequently found new jobs, and at the end of the year, the official rate of registered urban unemployment remained the same as in 1999 (3.1 per cent).

Population: the communiqué omitted data on China's population size, growth and structure in anticipation of publication of the results of the National Census held in November 2000 (for preliminary findings, see under (e) below).

(e) *Economic Affairs*

An editorial in *Renmin ribao* rehearsed the familiar theme that agriculture should retain its fundamental role in the national economy. The maintenance of farm supplies was essential not only to successful further

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urbanization and industrialization, but also to facilitating the expansion of the rural market for urban goods. A buoyant farm economy was also a necessary condition of social stability (*RMRB*, 5 January, cited by XHNA in FE/4038).

An article in a municipal newspaper argued that rural market growth was being impeded by persistent poverty and an inadequate development momentum in the countryside. It pointed out that rural electricity prices were 200 per cent higher than in cities, that television reception was frequently poor or even non-existent, and that half of China's rural population was still without access to running water. The core issue was the disappointing recent growth of farm incomes. Such incomes, having risen rapidly in the immediate aftermath of the first post-1978 rural reforms had, since 1996, witnessed a sharp downturn. Thus, annual rates of growth of farm income had fallen in successive years:

	Rise in farm incomes (% p.a.)
1979–84	13.4
1996	9.0
1997	4.6
1998	4.3
1999	3.8
2000	1.5 (1st half-year only)

One authoritative source noted that the per capita income gap between urban and rural residents had narrowed from 2.5:1 in 1978 to 1.5:1 (1984–85), but had returned to around 2.5:1 by the early 1990s – a figure that rose to 4:1 when the value of urban subsidies was factored in. During the 1990s average per capita rural income had risen by 4.8 per cent p.a., compared with 6.9 per cent p.a. for urban residents.

Various factors had contributed to this disappointing performance. They included: declining agricultural product prices; rising lay-offs in urban areas, thereby affording fewer opportunities for farm out-migrants; increasing losses in rural township and village enterprises (TVEs); falling demand for farm labour consequent upon agricultural mechanization; and the indiscriminate imposition of onerous levies on farmers (*Guangzhou ribao* (*Guangzhou Daily*), 13 January in FE/4046).

Addressing a special session on crop farming at the National Agricultural Work Conference (Beijing, 11 November), the Vice-Minister of Agriculture, Liu Jian, outlined the key tasks facing this sector. They were: to rationalize the crop mix in terms of variety, quality and regional distribution of crop output; to continue to pursue national grain security; to make proper use of water resources (see also below); to adjust to the needs of globalization (especially China's impending accession to the

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WTO); and to look after the needs of the farming community (*Nongmin ribao* (*Farmers' Daily*), 11 January in FE/4056).

A Xinhua report noted that China's grain sown area had reached a record low level in 2000 (around 107 million hectares, or 1.5 per cent less than in 1999) (see XHNA, 23 and 26 January in FEW/0676). But despite warnings that further sown area reductions would result in grain shortages, the same source later predicted a further area decline in 2001 (FEW/0683).

Another Xinhua report claimed that China now had the capabilities to build its own nuclear power stations and had "basically mastered the advanced modern methodology for the management of nuclear power development projects" (FE/4041).

Speaking at a development forum, Xiang Huaicheng (Minister of Finance), spoke of the success of China's proactive financial policy during the last three years. He noted that the issue of Treasury Bonds had enabled banks to make better use of their "stagnated funds," while increases in infrastructural investment had helped boost industrial production and encouraged SOEs to make more effective use of their surplus capacity. Xiang revealed that further bond issues would be made in 2001: thus, Treasury Bonds worth 100 billion *yuan* would be issued in support of further infrastructural construction, and an additional 50 billion *yuan* of "special Treasury Bonds" would also be issued. Efforts too would be made to improve implementation of the tax system.

Xiang Huaicheng acknowledged that the proactive financial policy had left China facing an increasing financial deficit and higher debt. In 2000, for example, the central government's financial deficit stood at 2.9 per cent of GDP, while other outstanding debts constituted 14.6 per cent of GDP. Not included in such statistics was the impact of hidden debts, reflecting "bad debts existing in state-owned banks and other financial institutions, … [and underfunding] … for social security." Nevertheless, Xiang insisted that China's current debt level was acceptable (FE/4105).

On 28 March, Xinhua made available some of the preliminary findings of the Fifth National Census, conducted on 1 November 2000. They revealed a total population (excluding Hong Kong and Macau) of 1,295.33 million. The XHNA report noted that in the ten years since the Fourth Census, some 132.15 million people had been added to total population – 11.6 per cent more than in the 1980s (implying an average rate of expansion of 1.07 per cent p.a.). The most recent Census revealed that those of 65 years of age and over numbered 88.11 million, accounting for 6.96 per cent of the total population. It also showed that the rate of illiteracy among those of 15 years and above had fallen by 9.16 per cent since 1990 to reach 6.72 per cent (FE/4107).

Elsewhere, the National Bureau of Statistics (NBS) reported that during the 9FYP period (1996–2000), the rate of natural increase of total population had averaged 0.97 per cent (cf. 1.156 per cent during the Eighth Plan, and 2.583 per cent in the early 1970s). It was argued that in the absence of the one-child family policy, China's total population

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would by now have reached 1.5 billion. Other statistics in the NBS report included the finding that between the Eighth and Ninth Five-Year Plans, average per capita grain output had risen from 379 to 407 kilograms; and that in 2000, average life expectancy was 71 years (74 for women), compared with 70 years in 1995. In 1999, those in receipt of a higher education averaged 28 per thousand (cf. 20 per thousand in 1995); for senior middle school education, the corresponding figure was 99 per thousand (82 in 1995) (FE/4089).

The extent of urban employment pressures was reflected in a Ministry of Labour and Social Security report to the effect that in addition to 8 million new entrants into the urban labour force in 2001, some 14 million laid-off workers and existing unemployed would be seeking jobs. The report conceded that efforts to re-settle laid-off workers workers posed an even greater challenge than in previous years. Meanwhile, the number of surplus agricultural labourers stood at more than 150 million (*RMRB* web site: see FE/4075).

The 15th session of the working group on China's accession to the WTO closed in Geneva on 17 January. Xinhua recorded that final agreement had still not been reached, although good progress had been made, while a European Union (EU) delegate was reported as saying that "the package agreement is very, very close" (FE/4048; see *ZXS* in FE/4049 to the effect that the 16th meeting would take place from end-February to early March). For the Chinese, Long Yongtu reiterated the critical importance of the agricultural sector and reaffirmed his government's determination to maintain "WTO-consistent agricultural support measures after [China's] accession." He added that the interests of China's 900 million peasants would always be "top priority." A Hong Kong source highlighted the failure of the Chinese delegation to reach agreement with principal members of the WTO on the question of farm subsidies and added that even more than ongoing difficulties in respect to the opening of insurance and banking, this issue had the potential to become a major stumbling block in future negotiations (*Ming Pao*, web site, 19 January in FE/4055).

During a visit to Hong Kong in February, Pascal Lamy (EU Trade Commissioner) suggested that outstanding differences over China's accession might still be resolved in time to allow China to become a WTO member by the middle of 2001 (FE/4075). But at the end of the quarter, a Hong Kong source quoted Supachai Panitchpakdi (Secretary-General designate of the WTO) to the effect that the timetable for Chinese membership would be clarified in June at the earliest – and that China's accession could not take place before November 2001 (*Sing-tao jih-pao* [*Xingdao ribao*], 29 March, quoted in FE/4108).

Xinhua provided statistics of China's 2000 foreign trade performance vis-à-vis major regions and countries, as shown in Table 6.

The NBS revealed that Hong Kong remained the single most important source of FDI in China. During the first nine months of 2000, contracted FDI deriving from Hong Kong totalled US$11.44 billion (utilized investment was US$10.75). Other important FDI sources were the United

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Table 6: **Foreign Trade Performance, 2000**

	Value of Chinese exports, 2000 (US$ billion)	*Increase over 1999 (%)*	*Value of Chinese imports, 2000 (US$ billion)*	*Increase over 1999 (%)*
Asia	132.311	29.0	141.344	39.0
Japan	41.654	28.5	41.512	22.9
Hong Kong SAR	44.520	20.8	9.429	36.8
ASEAN	17.341	41.3	22.181	48.6
South Korea	11.293	44.6	23.207	34.7
Taiwan	5.040	27.6	25.494	30.6
Europe	45.482	28.2	40.784	24.9
Russia	2.233	49.2	5.769	36.6
Latin America	7.185	36.4	5.410	80.8
Africa	5.043	22.5	5.555	133.9
Oceania	3.910	25.6	5.877	40.2
Australia	3.429	26.8	5.024	39.3
USA	52.104	24.2	22.363	14.8

States (US$6.41 billion), the EU (US$3.03 billion). Taiwan (US$2.74 billion), Japan (US$2.45 billion) and Singapore (US$1.56 billion) (FEW/0676).

Xinhua reported that China's share in the International Monetary Fund (IMF) had risen from 13th to eighth place, following a vote of the Executive Council of the IMF to the effect that China's special capital should be raised from 4.6872 billion Special Drawing Rights (c. US$6.1 billion) to 6.3692 SDR (US$8.3 billion) (FEW/0679).

Throughout the quarter, more reports highlighted the severity of water shortages facing China. During 2000, drought had resulted in drinking water problems for 20 million people, while more than 400 cities faced shortages. Both agriculture and industry faced similar shortages. It was pointed out that in the second and third decades of the 21st century, such shortages would intensify and reach a peak of 40–50 billion cu m. For the time being, per capita water resources were a mere 2,300 cu m – just 25 per cent of the global average (this against the background of an inexorable rise in water consumption from 103 billion cu m in 1949 to 559.1 billion (1999)) (FE/4040; for more statistics, see also FE/4048). Li Peng was also quoted as highlighting the need to conserve water resources as a top priority and pointing out that China's irrigation efficiency was no more than half that of developed countries (cf. a rate of water consumption per 10,000 *yuan* of industrial output of 91 cu m – 5–10 times higher than in developed countries (see *RMRB* web site, 5 February)).

(f) *Education*

Table 7 summarizes enrolment statistics in schools and institutions of higher learning, and achievements in the area of adult education in 2000, as revealed by the NBS communiqué on national economic and social development.

(g) *Military Affairs*

A *ZTS* report published the following estimates of China's military spending in recent years:

	Total military spending (billion yuan)
1998	93.47
1999	107.67
2000	121.29
2001	140.99 (antic.)

Implied in these figures was a cumulative increase in spending of 51 per cent between 1998 and 2001 (14.7 per cent p.a.). One commentator from

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Table 7: **Regular Education Enrolment, 2000**

	New enrolment 2000	*% change on 1999*	*Total enrolment 2000*	*% change on 1999*
Higher education				
Undergraduates	2,210,000	38.1	5,560,000	34.6
Graduates	129,000	43.3	301,000	30.9
Adult higher education	1,560,000	34.5	3,540,000	15.7
Secondary education				
Ordinary senior middle schools	4,730,000		12,010,000	
Junior middle schools	22,960,000	5.2	62,560,000	7.6
Primary education				
Primary schools	19,460,000	− 4.1	130,130,000	− 3.9

Note:
The percentage changes over 1999 are based on 1999 enrolment data in "Quarterly Chronicle and Documentation," *CQ*, No. 162 (June 2000), p. 613.

the National Defence University pointed out that in terms of its military expenditure, China ranked seventh in the world in 2000. From a different perspective, total military spending by China was 5 per cent of the U.S. level, and 30, 40, 48 and 64 per cent of those of Japan, Great Britain, France and Germany (FE/4094).

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

In January, local sources reported the decision – despite efforts by the HKSAR Chief Executive (Tung Chee-hwa) to dissuade her – of Anson Chan Fang On-sang (for seven years, HKSAR Chief Secretary) to leave her job in order to spend more time with her family (FE/4043 and 4044). The following month, Mrs Chan's removal was confirmed and it was announced that her successor would be Donald Tsang Yam-Kuen (the latter's post as Financial Secretary being taken by Anthony Leung Kam-Cheung (XHNA, 15 February in FE/4072)).

In March, Donald Tsang presented his final budget as Financial Secretary of HKSAR. He forecast that GDP growth would reach 4 per cent, in real terms, during 2001. Other expected real increases were 5.5 per cent for exports (but 6.5 per cent for the service sector alone), 3.6 per cent for investment and 2.5 per cent for local consumer spending. He expected a trend rate of GDP growth of 4 per cent p.a. during 2000–2003 (FE/4060). For the financial year 2001–2002, Tsang projected total expenditure by the HKSAR government of HK$254.7 billion, compared with anticipated revenue of HK$251.7 billion. He strongly defended decisions to increase taxes affecting motorists, travellers, smokers and beer drinkers (FE/4090). Elsewhere, it was reported that social welfare spending would be increased by 9 per cent (real) in 2001–2002; educational spending by 5.5 per cent; and health spending by 3.2 per cent (FE/4085).

In February, the Canadian Premier, Jean Chretien, travelled to Hong Kong, following a visit to Mainland China. The two sides signed an agreement on mutual legal assistance. Meanwhile, the Team Canada Trade Mission, which accompanied Chretien on his visits to China and Hong Kong, signed some 27 business deals worth US$49 million before leaving Hong Kong on 17 February (FE/4073).

Another high-profile visitor to Hong Kong during the quarter was the Mayor of Taipei, Ma Ying-jeou. In response to an invitation from Ma to visit Taiwan, Tung Chee-hwa said that he would undertake such a visit at an "appropriate" time (FE/4071).

2. Foreign Relations

(a) *Diplomatic Tours*

On 5 January, Vice-President Hu Jintao left Beijing on a diplomatic tour that would take him to Iran, Syria, Jordan, Cyprus and Uganda.

The following day, in Tehran, Hu discussed bilateral ties and regional issues (including developments in Central Asia, Afghanistan and

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Pakistan) with the Iranian Vice-President, Hasan Habibi, and also held a separate meeting with former President Hashemi Rafsanjani (FE/4038). On 7 January, Hu held further talks with President Hojjat ol-Eslam val-Moslemin Hajj Seyyed Mohammad Khatami, during which he held out the prospect of the forging of closer ties between China and Iran (FE/4039).

On 10 and 11 January, in Damascus, Hu Jintao met President Bashar al-Asad of Syria and also held separate talks on bilateral relations and regional issues with Premier Muhammad Mustafa Miru, Foreign Minister Muhammad Zuhayr Mashariqah and First Vice-President Abd-al-Halim Khaddam. Hu urged further efforts towards reaching a Middle East settlement in accordance with relevant UN resolutions and existing Arab–Israeli accords. He and Vice-President Khaddam also attended a ceremony at which two economic and trade agreements were signed (FE/4042 and 4043).

The third leg of his tour took Hu to Amman, where, on 13 January, he held talks with the Jordanian Prime Minister, Ali Abu-al-Raghib. Both sides looked forward to a strengthening of bilateral economic and trade ties, and Hu and Premier Abu-al-Raghib witnessed the signing of a scientific and technological co-operation agreement (FE/4044). Later, the Chinese Vice-President met King Abdallah II Bin-Husayn (FE/4045).

Following his talks in Nicosia with President Glavkos Kliridhis of Cyprus, in which he expressed the hope of a peaceful settlement between the Greek and Turkish Cypriots (FE/4046), Hu Jintao travelled to Kampala for the final visit of his tour. There, he held talks with President Yoweri Museveni, Vice-President Specioza Kazibwe and Premier Apolo Nsibambi, during which he spoke of his government's desire to expand relations between China and Uganda (FE/4049 and 4051).

Also in January, the Chinese Foreign Minister undertook diplomatic visits to Turkey, Libya, the Central African Republic, Cameroon, Gabon and Angola. Relevant reports can be found in FE/4041–43, 4046 and 4047.

(b) *Countries, Territories and Regions*

Africa (Djibouti)

Djibouti radio reported a meeting in Beijing (21 March) between Jiang Zemin and President Ismael Omar Gelleh. Jiang spoke of his desire that relations between China and Djibouti be strengthened and it was announced that three co-operation accords had been signed between the two countries. More broadly, Jiang noted that some progress had been made towards forging closer African unity. He referred to Africa as being "full of potential and hope" (FE/4102).

Canada

On 11 January, Premier Zhu Rongji welcomed Jean Chretien, following his arrival in Beijing on his fourth visit to China as the Prime Minister

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of Canada. The same day, the two leaders held talks on bilateral political, economic and trade relations, as well as on important international issues. The Chinese Premier revealed that the two sides would sign a number of co-operation accords and memoranda over a wide variety of activities, including economy and trade, energy sources, environmental protection, law, and education (FE/4069). Two days later, Chretien met Jiang Zemin, who spoke of his satisfaction with the level of development of bilateral relations.

Also on 13 January, Radio Canada reported that in a speech to Chinese judges, Chretien had raised the sensitive issue of human rights, drawing attention to widespread alleged violations of legal, political and human rights in China (FE/4070).

Against the background of bilateral trade having reached almost US$7 billion in 2000, a delegation of Canadian businessmen, who accompanied Chretien during his visit, were reported to have signed 205 contracts, worth some US$5 billion: 65 of these (worth US$1.4 billion) were completed deals; a further 140 had yet to be fully formulated and negotiated (FE/4071).

Commonwealth of Independent States (Kazakhstan)

On 15 February, the Foreign Minister of Kazakhstan (Yerlan Idrisov) held talks with Jiang Zemin in Beijing. The Chinese President stated that the forthcoming meeting in Shanghai of the "Shanghai Five" (the Sixth Summit involving China, Kazakhstan, Russia, Kyrgyzstan and Tajikistan) would contribute further towards the maintenance of regional peace and security. He also spoke of "very effective" co-operation between China and Kazakhstan in the face of "national separatism, international terrorism and religious extremism" (FE/4072 and 4073).

Eastern Europe (Croatia)

On 19 March, Tang Jiaxuan held talks in Beijing with his Croatian counterpart, Tonino Picula. Tang spoke with concern of the recent spread of the Kosovo crisis into Macedonia and warned of the threat of new "turbulence" in the region (FE/4100).

Japan

The web site of *Renmin ribao* condemned the Governor of Tokyo, Shintaro Ishihara, for defending the orthodox position on Japan's recent history, as set out in national textbooks – this against the background of critical comment and concern expressed in North and South Korea, as well as in China (*RMRB*, 16 March in FE/4100). The article commented, "judging from his [Ishihara's] influence in the Japanese right-wing forces, Ishihara's sophistry is obviously not the view of an individual, but represents a dangerous trend." It added that historical interpretation was not something that lay solely within the scope of Japanese sovereignty

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and that textbooks should not "tamper" with historical facts. Hence, the importance of recognizing that "it is a hard fact that Japanese militarism launched a war of aggression and did a serious harm to the peoples of Asia many years ago …"

Latin America (Cuba)

On 25 February, the Cuban Foreign Minister, Felipe Perez Roque, arrived in Shanghai for a seven-day visit at the invitation of Tang Jiaxuan. In Beijing, the two Foreign Ministers subsequently held talks on bilateral relations, regional and international issues, which were described as having taken place in a "frank and relaxed atmosphere." Roque also met Jiang Zemin and Hu Jintao, and travelled to Nanjing and Dalian (FE/4081, 4084 and 4085).

Middle East (Palestine)

In Beijing on 22 March, Tang Jiaxuan held talks with his Palestinian counterpart, Faruq al-Qaddumi, who briefed him on the forthcoming Arab Summit and the state of current relations between Palestine and Israel. The Chinese Foreign Minister reaffirmed his government's support for a settlement of the Middle East question in accordance with relevant UN resolutions (FE/4102).

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

Yonhap (the South Korean news agency) reported that in Seoul on 3 January, Chinese and South Korean officials had agreed on the further development of "comprehensive co-operative relations," as originally proposed by the two sides during Zhu Rongji's visit to South Korea during 2000 (FE/4035).

A South Korean source (*Chungang Ilbo*, 15 January) quoted a senior ROK official to the effect that the North Korean leader, Kim Jong-il, had arrived in Beijing, amidst high security, on 15 January. He was expected to meet Jiang Zeming, Zhu Rongji and other senior Chinese officials, and to discuss bilateral relations and the prospects for DPRK–U.S. relations in the wake of the establishment of the new Bush administration in Washington (FE/4046; and for reports on Kim's visit from the same source, see FE/4047–49). Not until 20 January did a North Korean source report Kim's visit and note that he had indeed held talks in Beijing with Jiang and Zhu (FE/4050).

The following month, it was reported that Kim Jong-il (General Secretary of the Korean Workers' Party and Chairman of the National Defence Commission) had received a Chinese delegation of the CCP International Liaison Department, headed by its Deputy-Head, Wang Jiarui (FE/4068). In March, a second Chinese CCP delegation, headed by Zeng Qinghong, travelled to Pyongyang, where a North Korean

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spokesman revealed that the two sides had agreed that Jiang Zemin should undertake a state visit to North Korea later in the year (FE/4103 and 4105).

South Asia (India, Nepal)

On 9 January, Li Peng (former Chinese Premier and current Chairman of the NPC Standing Committee) left Beijing for an official goodwill visit to India. Li was the highest-ranking Chinese official to make such a visit since India's nuclear tests in May 1998, and prior to his visit, he spoke of the need for China and India to be patient in working towards a settlement of the India–China boundary issue (FE/4038). Following a brief stay in Bombay, Li travelled to New Delhi, where, on 11 January, he held talks with President K.R. Narayanan. The two men were reported to have reached agreements on nuclear deterrence and related security issues, as well as on the dumping of cheap Chinese manufactured goods in India and on the border question (FE/4042).

On 12 January, Li Peng met the Indian External Affairs Minister, Jaswant Singh, for further discussion of the boundary question and international issues. The Press Trust of India reported a decision to initiate a security dialogue "very soon" (perhaps as early as February), not least in the hope that such talks would facilitate a boundary settlement (FE/4044).

During his visit, Li also met the Leader of the Opposition, Mrs Sonia Gandhi. In talks with the Speaker of the Lower House of Parliament, Li was reported to have made a three-point proposal that would provide for extended exchanges and co-operation between China's NPC and the Indian Parliament (FE/4043). Before his return to Beijing, Li was quoted as having told the Indian Prime Minister of his hope that the two countries could forge a "new dynamic relationship" (All India radio, 15 January in FE/4045).

The following month, Xinhua reported that on 8 February, the second round of talks on security between China and India had been held in New Delhi. The talks were the first of their kind to take place since the restoration of and improvement in bilateral relations (FE/4073).

In March, King Birendra Bir Bikram Shah Dev made his tenth state visit to China. His discussions with Jiang Zemin and Tang Jiaxuan focused on the prospect of closer relations, especially in trade and economic co-operation (FE/4085).

South-east Asia (Thailand)

On 23 March, Tang Jiaxuan held talks in Beijing with the Thai Prime Minister, Surakiat Sathianthai, and held a separate meeting with Jiang Zemin. Both sides looked forward to a further strengthening of bilateral ties. Surakiat Sathianthai also expressed his government's support for trilateral talks on the drug issue between China, Thailand and Burma [Myanmar] (FE/4103 and 4105).

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Taiwan [Republic of China]

A CNA report (5 January) quoted President Chen Shui-bian as saying that Taiwan had completed preparations for re-opening talks with Beijing without preconditions (FE/4038; see also Premier Chang Chun-hsiung in *ibid.*; and for more remarks by Chen on cross-Strait relations, FE/4068). Later in the quarter, President Chen reaffirmed his commitment to developing a new "middle-of-the-road" policy in addressing cross-Strait relations. In the interests of maintaining peace, security and stability in the Taiwan Strait, he pledged not to take any reckless or provocative actions. Rather, he insisted, his government would face reality without sacrificing its fundamental principles. Chen did, however, admit to major difficulties in reaching a national consensus on the development of ties with China. He suggested that the coming year would be a critical one for the development of the triangular relationship between Washington, Taipei and Beijing (CNA, 19 March in FE/4100).

At a forum in Beijing to mark the sixth anniversary of Jiang Zemin's enunciation of his "Eight-Point Proposals on Peaceful Reunification of the Motherland," Vice-Premier Qian Qichen argued that the Taiwan issue could not be allowed to drag on indefinitely. He stressed that in the search for closer cross-Strait ties, "the one-China concept is unavoidable and must not be vague" – a strong hint that the Taipei administration should define *its* interpretation and understanding of the concept as early as possible. Qian added that since Chen Shui-bian had become President, "new complex" factors had become part of the matrix of cross-Strait relations (FE/4052 and 4053).

An important event was the arrival, in Xiamen (Fujian Province) on 2 January, of the first two Taiwanese passenger vessels to travel directly across the Taiwan Strait from Taiwan to the mainland for more than half a century (FE/4034). By the end of the quarter, at least six such direct voyages had taken place.

Premier Chang Chun-hsiung was, however, insistent that it was only the "three mini-links" – a reference to the institution of direct trade, postal and shipping links between Kinmen [Quemoy] and Matsu (Taiwan), and selected ports in mainland China – that had been put in place, not the more comprehensive "three direct links" (FE/4035). Beijing's critical response was to accuse the Taipei authorities of using the "mini links" as "a bid to open the door to cross-Strait talks while evading the one-China principle" (*RMRB*, Overseas Edition, web site, 4 January in FE/4036; see also critical comments by Li Yafei, Secretary-General of the Association of Relations Across the Taiwan Strait [ARATS] in *ibid*. For other relevant reports, see Qian Qichen in FE/4038; also the six-point proposal for direct transport links proposed by the Chinese Minister of Communications (Hong Shanxiang) in the course of separate talks, in Beijing, with visiting "three links" delegations of the Kuomintang and New Party from Taiwan (FE/4042)).

One of the major future challenges that would confront Taiwan was highlighted in remarks made by Chang Chun-hsiung to the effect that

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after Taiwan's accession to the WTO (expected to follow immediately on the heels of China's accession), the Taipei government would be unable to reject direct trade and shipping links (FE/4043; and see Chang in FE/4076). Meanwhile, however, Taipei's Foreign Minister (Tien Hung-mao) suggested that in the absence of a consensus on reunification within Taiwan) a more realistic way forward was to engage in talks on direct trade and shipping links without waiting for Taiwan's endorsement of the "one China" principle (CNA website, 12 January in FE/4044; and see the remarks of Tsai Ing-wen, Chair of the Mainland Affairs Council (MAC) in FE/4051).

Against the background of rumours that the former Taiwanese President, Lee Teng-hui, intended to travel to the United States, a Chinese Foreign Ministry spokesman urged Washington not to allow such a visit on the grounds that Lee was the originator of the "two states" theory and a "representative of the Taiwan independence force" (XHNA, 8 February in FE/4067).

On 16 March, Lin Chong-pin (MAC Vice-Chairman) suggested that the number of short-range ballistic missiles deployed by China against Taiwan was likely to rise by between 650 and 800 by 2005. In the meantime, however, Taiwan's supremacy over China in terms of the quantity and quality of its naval and air forces was likely to remain unchallenged, even if that superiority would subsequently be lost. Lin also noted that China had already deployed some 300 Dongfeng (CSS-7) missiles against Taiwan. But the source of greatest concern, according to Lin, was that fact that the Chinese government was already engaged in developing "many other state-of-the-art and high-precision weaponry systems that can paralyse Taiwan" (FE/4098).

CNA revealed that planned adjustments to the Taiwanese government's "no haste, be patient" policy would be unveiled at the end of March (FE/4066). The report suggested that the government would eliminate one of the three current product categories – the so-called "allowed" category – currently used in dealing with applications to carry out production activities in China. Thus, "all items that are not listed in the 'case-by-case' and 'prohibited' categories will be allowed to be produced in mainland China."

In Taipei, the Board of Foreign Trade noted that in 2000, the value of cross-Strait merchandise trade had exceeded US$30 billion for the first time. The value of Taiwanese exports to the mainland was estimated to be US$26.1 billion (23.3 per cent more than in 1999, constituting 17.6 per cent of the value of all Taiwan's exports); that of imports from the mainland was said to be US$6.2 billion (a rise of 37.5 per cent, or 4.4 per cent of the value of all imports). The net result was that Taiwan enjoyed a merchandise trade surplus with China of US$19.9 billion (FEW/0681).

According to a CNA report (10 February), Taiwanese utilized investment in Fujian fell by 47.5 per cent to US$489 million during 2000. The decline was mainly attributed to the "unstable cross-Taiwan Strait political situation," following the Kuomintang's election defeat (FE/4068).

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United States of America

Amidst speculation about a "harder" line towards China by the incoming Bush administration compared with that of President Clinton, a remark made on 17 January by U.S. Secretary of State designate, Colin Powell, attracted considerable media attention. Powell was quoted as saying, "China is not our strategic partner, neither is China our inevitable foe; China is a competitor, a potential regional rival and a trade partner as well" (FE/4049).

On 18 January, a Chinese Foreign Ministry spokesman warned the United States against including Taiwan in its proposed Theatre Missile Defence (TMD) system (*ZXS* in FE/4049). Even more outspoken were remarks made on 20 February in New York by the visiting Deputy-Director of the State Council's Taiwan Affairs Office (Zhou Mingwei). In a speech, Zhou reminded his listeners of agreements between China and the United States which called for an interim reduction and the ultimate elimination of American arms sales to Taiwan. He went on: "… certain Americans are declaring that the military balance across the Taiwan Strait can be maintained if arms are sold to Taiwan; this thesis in based on a cold war mentality, and it can only mislead Taiwan and provide support for the Taiwan independence forces." Zhou also noted that despite the huge difference between the sizes of their populations, Taiwan's arms purchases in the last ten years had been 40 times higher than those of China (Xinhua in FE/4077; also see FE/4085 for a Chinese Foreign Ministry spokeswoman's comments on arms sales to Taiwan, and *RMRB* web site, 23 March).

But the single most important event during the quarter was the visit to the United States by Vice-Premier Qian Qichen. In New York, Qian addressed an audience of businessmen (FE/4100). He noted that two-way trade had risen by 21.2 per cent in 2000. The United States was China's second-largest trading partner, while from the American perspective, China ranked fourth. Qian looked forward to improvements in the economic environment in order to facilitate closer economic and trade relations.

In another speech in New York (to the Asia Society), Qian Qichen reaffirmed his government's determination to achieve peaceful reunification with Taiwan in accordance with the principle of "one country, two systems" (*ZXS*, 20 March in FE/4100). He commented, "there is only one China in the world. Both the mainland and Taiwan belong to one China. China's sovereignty and territorial integrity brook no division." At the same time, as he was to make clear in remarks at the headquarters of the Chinese Permnanent Representative to the United Nations, Qian remained optimistic about the future. He denied that his government harboured expansionist ambitions. As for differences of views between countries on some issues, such things were to be expected and need not lead to confrontation.

In Washington on 21 March, Qian Qichen held his first formal talks with the new U.S. Secretary of State, Colin Powell. Qian noted the two

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sides' extensive "mutual interests and responsibilities" on a wide variety of issues, including the maintenance of peace and pursuit of prosperity in the Asia-Pacific Region and throughout the rest of the world. He also remarked on the close contact that had already been made between President George Bush and Jiang Zemin and spoke of "an important consensus on advancing bilateral relations," which they had reached. Bush's participation in the informal meeting of leaders of the APEC forum in Shanghai in October would, he also noted, provide an opportunity for the two leaders to hold their first summit meeting (FE/4102).

On 22 March, Qian held discussions with President Bush, who referred to the shared responsibility of China and the United States as "world powers" and also spoke of the need to address bilateral relations from the "long-term and strategic angle." The American President confirmed his intention to attend the October APEC meeting in Shanghai and meet Jiang Zemin, as well as to visit Beijing (FE/4103). In the course of the meeting with Qian Qichen, Bush exchanged messages with Jiang Zemin and Zhu Rongji. Later, the Chinese Vice-Premier met Vice-President Cheney, with whom he discussed the Taiwan issue (FE/4104).

Western Europe (Italy)

On 16 January, the Italian Prime Minister, Giuliano Amato, arrived in Beijing for a three-day visit. Separate talks with Jiang Zemin and Zhu Rongji focused on bilateral relations, as well as regional and international issues of common concern (FE/4046). Premier Amato also met Vice-Premier Qian Qichen in Beijing. Later, he visited Shanghai (FE/4047; for a report of discussions between Tang Jiaxuan and the Italian Foreign Minister, Lamberto Dini, during the latter's stopover in Beijing en route home from a visit to Japan, see FE/4102).

(c) *International Organizations (United Nations [UN], Asia-Pacific Economic Co-operation [APEC], Asia–Europe Meeting [ASEM])*

In January, the UN Secretary-General, Kofi Annan, made a three-day visit to China. In Beijing, he held talks with Jiang Zemin, who reaffirmed China's commitment to taking an active role in UN activities (FE/4051). Kofi Annan also met Vice-Premier Qian Qichen and the Chinese Foreign Minister, Tang Jiaxuan.

The following month, Mrs Mary Robinson (UN High Commissioner on Human Rights) travelled to China. In a meeting with her on 27 February, Tang Jiaxuan spoke of his government's willingness to increase co-operation with the UN and other bodies on human rights. On her part, Mrs Robinson praised China's policies of reform and opening-up, but also expressed concern about the reported ill-treatment of members of the outlawed *falun gong* sect.

On 23 March, in an address to his fellow delegates (FE/4102), Qiao Zonghuai, Head of the Chinese delegation to the 57th UN Human Rights Conference, called on the UN High Commission on Human Rights to

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"justly and effectively promote and protect human rights." His principal message was that the conference should "… uphold the principle of equality, democracy, and mutual respect, dispel the Cold War mentality, and replace confrontation with dialogue."

In February, senior officials from 21 APEC member economies held a meeting, chaired by Vice-Foreign Minister Wang Guangya, at which the role and future direction of APEC was discussed. A Xinhua report called for an exchange of views among APEC members on macroeconomic policy and urged them to reaffirm their commitment to fulfil the Bogor Goals on free trade and investment by 2010 (by developed countries) and 2020 (by developing countries). The APEC meeting was attended by Taiwanese delegates (FE/4071).

Finally, Xinhua reported that Xiang Huaicheng (the Chinese Finance Minister) had attended the Third ASEM Finance Ministers' meeting in Kobe (Japan). Xiang urged his ministerial colleagues throughout East Asia to maintain their commitment to the further pursuit of regional co-operation.

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