Quarterly Chronicle and Documentation

(April-June 2004)

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 on-line, do not have reference numbers and are only identifiable by date of publication of material. The inclusion of each of these dates would unnecessarily clutter the text and such dates have therefore been omitted, except, at many points, for the original sources from which the BBC reports themselves are taken.

Abbreviations

XHNA —Xinhua (New China) News Agency
CNA —Central News Agency (Taipei)
RTHK —Radio-Television Hong Kong
ZTS —*Zhongguo tongxun she (China Reporting Agency)*, Hong Kong
ZXS —*Zhongguo xinwen she (China News Agency)*, Beijing
RMRB —*Renmin ribao (People's Daily)*
SCMP —*South China Morning Post*

1. Internal developments

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1. Internal Developments

(a) *The Eighth, Ninth and Tenth Sessions of the Tenth NPCSC*

The Eighth meeting of the Tenth NPCSC (Beijing, 4–6 April; see also below under 'Hong Kong') received State Council reports on implementing the Fourth Five-Year Plan for Disseminating the General Knowledge

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of Law, on enforcement of the Law on Scientific and Technological Advances, and on dealing with public health emergencies. The Minister of Justice (Zhang Fusen) spoke of good progress having been made in inculcating the importance of the legal system, but acknowledged that serious problems persisted. Hence, urged Zhang, the need for further study and propagation of existing laws.

A senior Ministry of Health official admitted that the outbreak of severe acute respiratory syndrome (SARS) in 2003 mainly reflected deficiencies in China's public health system and the absence of appropriate mechanisms to meet such emergencies. He said that although significant interim progress had been made, putting in place an effective framework to deal with public health emergencies was a long-run task. He called, in particular, for stronger guidance and supervision in order to speed up further progress.

The report on the Law on Scientific and Technological Advances referred to the uneven development of promulgating and enforcing the legislation. It called for the inculcation of a greater awareness of the importance of science and technology in society, and for further reform of science and technology management.

Delegates also considered and adopted the "Interpretation by the NPCSC of Clause 7 of Annex I and Clause 3 of Annex II to the Basic Law of Hong Kong Special Administrative Region of the People's Republic of China." Wu Bangguo (NPCSC Chairman) noted that differing interpretations of the HKSAR Basic Law arising out of an ongoing debate on Hong Kong's political development had affected the SAR government's work, as a result of which it was appropriate – and constitutionally proper – that the NPCSC should offer an authoritative interpretation of the relevant provisions of the Basic Law in order to "dispel doubts and put an end to contention" (XHNA, 6 April, which also carries the full text of the "Interpretation;" see also Hong Kong, *Ta-kung pao* [*Dagong bao*], 7 April).

Following its adoption by the NPCSC, on 6 April Hu Jintao signed the amended "Foreign Trade Law of the People's Republic of China." The new law would come into effect on 1 July 2004 (the text of the amended legislation can be found in XHNA, 6 April).

The *Ninth* Session of the current NPCSC opened in Beijing on 25 April and considered the report of Tung Chee Hwa (HKSAR Chief Executive) on constitutional development in Hong Kong, including methods for the selection of the Chief Executive and Legislative Council in 2007 and 2008. Delegates were unanimous in their view that the selection methods must be "amended appropriately" in accordance with the opinions expressed by the State Council, the people of Hong Kong and Tung himself. To this end, they endorsed a "Decision (Draft) of the NPC Standing Committee on Relevant Issues Concerning the Methods for the Selection of the Chief Executive in 2007 and for the Formation of the Legislative Council in 2008 in the HKSAR" (XHNA, 25 April). The document was explicit in rejecting an extension of democracy in Hong Kong. Thus,

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The method of universal suffrage shall not apply to the election of the third Chief Executive of HKSAR in 2007, nor to the election of all members of the Fourth Legislative Council of the HKSAR in 2008.

In defence of its decision, NPCSC members pointed out that Hong Kong's practice of democratic elections had a short history and that "it has been for no more than seven years that Hong Kong residents have exercised the democratic rights of participating in selecting the HKSAR chief executive." A Xinhua commentary quoted the NPCSC as stating that "'it is the consistent stance of the Central Authorities' to develop democracy in Hong Kong on the principle of gradual and orderly progress and in the light of specific conditions of the region, in accordance with the Basic Law of Hong Kong" (XHNA, 26 April).

The Tenth Session of the Tenth NPCSC opened in Beijing on 21 June. Delegates for the first time debated the draft bankruptcy law, and received reports on agriculture, the countryside and farmers.

The Bankruptcy Law was an important part of the NPCSC's ongoing legislative programme. It sought to help regulate enterprises that applied for bankruptcy and to provide a legal foundation on the basis of which courts could hold fair trials on bankruptcy cases. Jia Zhijie (Vice-Chairman of the NPC Financial and Economic Committee) explained that the current Corporate Bankruptcy Law, which was still being implemented on a trial basis, was no longer appropriate to China's circumstances, whereas the new draft legislation explicitly addressed the need to safeguard the interests of all relevant parties concerned and to "maintain the order of the country's socialist market economy." The NPC Law Committee argued in favour of the feasibility of the draft law and urged its immediate adoption.

Following its approval by NPCSC delegates, a Law on Promoting Agricultural Mechanization was promulgated (to take effect on 1 November 2004). In his closing speech, Wu Bangguo noted that the new law would help facilitate the use of advanced farm machinery, thereby increasing labour productivity and supporting the process of agricultural modernization.

Other legislation considered by NPCSC members included: a draft amendment to the Law on the Prevention and Control of Infectious Diseases; a draft law on electronic signature; and an inspection report on enforcement of the Land Management Law.

(b) *Party, Political and Ideological Affairs*

In April, the Central Organization Department and the Ministry of Personnel [MOP] held a joint meeting on strengthening the reform of the cadre and personnel system in line with guidelines laid down at the recent (16th) National Party Congress. The meeting urged the careful study and application of the 'three represents' as a central strand in the reforms, and called for more effective ways of selecting, appointing, administering, and supervising cadres. It identified four key issues at the heart of the reforms: first, the inculcation of professionalism, based on high qualification and achievement, among cadres and administrative person-

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nel – this to be backed up by an appropriate system of rewards and sanctions; second, the strengthening of the cadre contingent by implementing the 'four transformations' (i.e., creating a revolutionary, young, well-educated and more competent cadre force); third, the need to adhere strictly to the principle of personnel management by the Party in a context of expanded "democracy;" and fourth, the need to "emancipate the mind, seek truth from facts, advance with the times and promote … reform in a secure manner" (*RMRB*, 14 April).

On 28 April, Hu Jintao made a speech in which he stressed the fundamental role of ideology and theory in the Party ("only by persisting in making scientific theory as a guide can a Marxist political party be able to formulate correct lines, principles and policies, and to unite the whole party and the people of the nation to struggle for lofty ideals and goals"). He acknowledged that just as "new changes, contradictions, and problems" had emerged to challenge global political, economic, cultural, scientific and technological, and military developments, so in China too reform and development confronted "new tasks … situations and … topics." In the face of such changed conditions, the fulfilment of the goals of development, modernization and improved welfare placed a heavy burden on the CCP. Accordingly,

> we must further hold high the great banner of Marxist theory, use the latest achievements of Sinicized Marxism, Deng Xiaoping Theory, and the important thinking of the 'Three Represents' to arm the whole party, to educate the people; and we must use the evolving Marxism to guide new practices and to constantly enrich and develop Marxism through practice. It is exactly because of the aforementioned considerations that the CCP Central Committee decided to implement the project of studying and building Marxist theory. This is a strategic task that has a bearing on developing the cause of the country and the party, which is a major measure of the CCP Central Committee to enhance party's theory building. It is of far-reaching significance and the task is arduous (XHNA, 28 April)

(c) *Social and Legal Affairs*

It was reported (XHNA, 6 May) that 923,000 criminal cases were recorded in January–March 2004, 14.2 per cent above the level of the same period in 2003. However, the Ministry of Public Security (MPS) revealed a decline of 23.4 per cent drop in bombing crimes, of 7.9 per cent in rapes, and of 6.6 per cent in arson. The incidence of murder remained roughly unchanged. The overall increase in crime reflected a 17.1 per cent rise in thefts, and an 8.6 per cent increase in robberies. The reduction in violent and other serious forms of criminal behaviour was attributed to a deliberate campaign by the MPS to crack down on such crimes.

(d) *Economic Affairs*

Xinhua (4 April) carried the full text of an important speech by Hu Jintao on the relationship between population, resources and the environ-

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ment. Central to his remarks was the role of sustainability in supporting a new "scientific development concept" for China. Core elements in this concept were a "people-centred approach" that would facilitate comprehensive, co-ordinated and harmonious social, economic, political and cultural development. Thus,

> Sustainable development means promoting harmony between man and nature, achieving co-ordination between economic development and population, resources and environment, and persistently following the civilized development road of developed production, affluent living standards, and a benign ecology, to ensure sustained development down the generations.

In pursuit of this aim, it was essential to adhere to the following principles: first, to prioritize economic construction; secondly, to promote comprehensive social development, embracing nurturing "socialist material, political and spiritual civilization;" thirdly, to improve the quality and efficiency of economic growth (as well as the maximization of the growth rate); to link theory with reality and, in particular, to accommodate local conditions. Central to "scientific" development was the need simultaneously to adopt a "people-centred" approach, to economize on resources, to protect the environment, and to seek "harmony between man and nature." Hence, Hu's advocacy of "green national economy accounting" (on this, see also Xinhua, 25 June) and the inclusion of resource consumption and environmental impact as core elements in pursuing development.

Hu stressed the ongoing importance of population control. He noted that the rate of natural increase was a mere 6.01 per thousand in 2003 and that the female child-bearing rate was below the replacement level.

New mechanisms of "birth control interest guidance" and "reward and support" measures were being put in place. Environmental protection and ecological construction were also being accelerated, highlighted in efforts to protect arable land, establish a land market, and conserve natural and mineral resources.

But demographic and environmental work still faced many problems. Notwithstanding the very low birth rate, China's total population would continue to rise, exacerbating employment pressures. No less a challenge was the need to improve population quality and anticipate the problem of an ageing population. Meanwhile, resource shortages were growing more pronounced – not least, mineral resource scarcities (of oil, in particular) and indiscriminate encroachment on farm land (China's arable area contracted by 2.01 per cent in 2003 (XHNA, 9 April)) – and threatened to impede continuing economic and welfare improvements. The rural water conservancy infrastructure was inadequate and excess demand for water was acute. In short,

> We must … realize that China's national condition of a large population and small per-capita resources will not change; the trend of a continual reduction of non-renewable resources and their usable amount will not change; the constraining factor of the resource environment on economic growth will become ever greater; and the masses' demands regarding environmental quality … [will] … become ever higher. Looking

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at the long term, the contradiction between economic development and population resources and environment will become ever more conspicuous, and the pressure on sustainable development will become ever greater. We must attach great importance to these contradictions and problems; … we must constantly assign an important strategic position to controlling the population, economizing resources, and protecting the environment, and grasp this work ever tighter and more practically.

In order to accommodate these challenges, it was essential to formulate plans for medium and long-term population development in order to seek harmony between demographic change, resource use and the environment. Hu acknowledged that poor educational standards and the absence of effective social security arrangements still placed a premium on having more children (especially males) in rural areas. This was why new ways of promoting birth control and improvements in social security remained so important in the countryside. Improved conservation of land would be based on improved supervision, more effective control of illegal and arbitrary use of farm land for the construction of development zones and other kinds of "blind expansion," and of the indiscriminate exploitation of mineral and maritime resources. Measures should also be implemented to strengthen environmental protection. More rational utilization of scarce water resources would also be accorded a strategic priority. In pursuit of all these goals, proper lines of responsibility should be established and maximum use be made of price and market mechanisms, underlined by recourse to legislation (XHNA, 4 April; on sustainable development, see also Wen Jiabao in XHNA, 25 June).

On 14 April, the State Development and Reform Commission issued a document on economic structural reform in 2004. It identified the following priority tasks: to further promote reform of China's state-owned enterprises (SOEs), including making improvements in the ownership structure of the state-owned economy; to intensify rural reform in order to revitalise agricultural and rural economic development; to further improve macroeconomic control and deepen reforms of systems of finance, prices, investment and taxation; to extend and improve the market system; and to enhance employment and income distribution. The document also called for further improvements in government administration and social development (full text in XHNA, 14 April; on economic restructuring, see also *RMRB*, 27 May).

Towards the end of April, Deputy Governor of the Central Bank and State Foreign Exchange Control Bureau Director, Guo Shuqing, noted that pressure to revalue the *renminbi* [RMB] was beginning to ease. Guo attributed the new situation to China having suffered a trade deficit in January–March, and to the likelihood that capital flows to developed countries would resume and that the US Federal Reserve would raise US interest rates later in 2004. He stated that speculative inflows of foreign capital too were slowing down (*ZTS*, 22 April).

The following month, it was reported that provincial authorities had been directed to be prepared to impose price controls on consumer goods in order to slow down economic growth, and hold local consumer price rise to below 3 per cent throughout 2004. The move reflected Wen

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Jiabao's stated determination to adopt "forceful" measures to control inflation without precipitating an economic recession. The Chinese Premier also spoke of his government's willingness to explore the possibility of market-orientated currency reform, as long as economic conditions were appropriate. Thus,

> We are going to basically maintain a stable *yuan* currency at a reasonable and balanced level, and secondly [we are] also ready and willing to explore and study the possibility of a *yuan* exchange rate forming mechanism that will be market oriented …

The circumstances in which provincial authorities would introduce price controls were defined as the local monthly consumer price index (CPI) growth reaching 1 per cent month-on-month, or monthly CPI growth reaching 4 per cent, or more, year-on-year for three consecutive months. Even if prices were rising more slowly than indicated by these benchmark rates, local authorities were enjoined not to approve simultaneous price increases for a large number of consumer goods for fear of generating public panic (Hong Kong, *The Standard* web site, 7 May).

An article in *People's Daily* stressed the importance of stronger macroeconomic regulation in the face of "conspicuous contradictions and problems in China's economic operations," including excessive investment and loan expansion, indiscriminate encroachment on arable land, changes in the balance between grain demand and supply, and overheating in some sectors. Regulatory measures already introduced were taking effect, as indicated by tighter monetary credit regulation, slower investment in some industrial activities (notably, in the electrolytic aluminium sector) and a decline in the rate of price increases in the building materials industry. Agriculture-support policies were also helping farm incomes to recover and had given a marked boost to grain production. Significant though such progress was, underlying problems had by no means been completely overcome. Thus,

> China's economic development is now at an important juncture. Certain contradictions in economic operations remain extremely conspicuous, … [such as] … the further swelling of investment demand, intensified shortages of electric power, coal, and transport, excessively fast growth of monetary credit, an increased general price level, and a grain production situation that does not permit optimism. The most conspicuous of these is the excessively fast growth and scale of investment in fixed assets … Unless these problems are resolved …, they are bound to place intolerably heavy burdens on resources and the environment, and intensify the contradictions of irrational economic structure, resulting in … excessive production capacity … increase in unemployment, and increased bad bank debts …

If such forces were unchecked, economic fluctuations would result and the development momentum would come under threat. In short, macro regulation and control were essential to the maintenance of stable economic advance (*RMRB*, 19 May).

Later the same month, Xinhua (21 May) cited official figures to show that the Chinese economy was responding to the Chinese government's

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regulatory efforts. They showed, for example, that investment in construction and factory equipment – a major ingredient in recent signs of overheating – had fallen from a year-on-year expansion of 43.5 per cent (March) to 34.7 per cent (April). Property investment was also said to be slowing down (see also XHNA, 10 and 13 June for further indications of a cooling economy). On this basis, Liu Shucheng (Director of the Economic Research Institute in the Chinese Academy of Social Sciences) forecast an annual rate of GDP growth of 8.5 per cent (cf. 9.1 per cent in 2003, and 9.8 per cent in January–March 2004).

Such progress notwithstanding, in mid-June an article in *People's Daily* still urged the need for further macroeconomic control. It pointed out that demand for capital for fixed investment remained high (as did money credit), coal, electricity, oil, and transport shortages were growing more serious, and the overall price level was still "fairly high." Hence, the need to maintain the momentum of measures to address "both the symptoms and the root causes" in order to ensure that the macro regulatory and control goals were fulfilled (*RMRB*, 14 June). At a meeting of the State Council (16 June), Wen Jiabao made a similar assessment, speaking with satisfaction of the progress that had been made in addressing economic overheating, but being careful to stress the need for continuing macro regulation and control in the face of "quite noticeable" difficulties. He listed seven priorities among the economic tasks facing China in the rest of 2004:

- tighten control of excessive monetary credit growth and provide stricter control over land use;
- organize the purchase and storage of summer grain (including making sure that funds needed to buy grain were available) and prepare well for summer planting;
- take appropriate measures to protect against floods and drought;
- seek to guarantee power supplies for peak power consumption during the summer;
- strengthen "weak links" by providing more support for agriculture, water conservancy, environmental protection, and social services;
- help new entrants to the labour force and laid-off workers to find jobs;
- improve supervision over food safety and food production.

On 26 April, the Information Office of the State Council released a 'White Paper' on employment conditions in China (full text available in XHNA, 26 April). It revealed that between 1990 and 2003, the total number of urban and rural employees had risen by 7.45 million p.a. from 647.49 to 744.32 million (256.39 million urban workers, and 487.93 million rural labourers). As of end-2003, the registered urban unemployment rate was 4.3 per cent. The document noted that despite plans to provide employment "or re-employment" for nine million people, and re-employment for five million SOE laid-off workers in 2004, the unemployment rate was expected to rise to about 4.7 per cent. The anticipated size of the working population by 2020 was 940 million, implying an average annual rise of 11.5 million in the interim period.

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Notwithstanding the creation of 2.52 million new jobs, the Ministry of Labour and Social Security reported a rise of 100,000 in the number of registered urban unemployed in the first quarter of 2004. The same source revealed that as of end-March, 155.86 million people were covered by retirement insurance, 102.02 million by unemployment insurance, 112.39 by medical insurance and over 47.1 by industrial injury insurance (XHNA, 9 May).

Survey data revealed that migrant workers from rural areas totalled 113.9 million (23.2 per cent of the rural labour force) in 2003. About 69 million rural labourers (61 per cent) were working in medium-sized cities; 56.2 million (49.9 per cent) were employed outside their home provinces. The major destinations of rural migrants were the relatively developed eastern regions, which attracted 69.9 per cent of all migrants. Two-thirds of the migrants were from major grain-producing areas. Some 86 per cent of migrants were less than 40 years of age – 47.3 per cent of them, under 25 (XHNA, 14 May).

The difficulties faced by children of migrant worker families were highlighted in a report of the State Council's Women and Children Work Committee. It revealed that the mortality of pregnant women, infants and children under five years old among China's floating population was between 1.4 and 3.6 times higher than among urban residents. The incidence of anaemia, rickets and serious malnutrition was also higher among children from migrant worker families. Almost 20 million out of the floating population of over 100 million were under 18 years old (XHNA, 31 May).

It was reported that the migrant population of Guangdong reached 21.3 million in February, and accounted for around a third of all migrants in China. It was estimated that one out of every three employees in the province was a migrant worker. In Dongguan City, which only 20 years earlier was an agricultural county with a population of about one million, the economy had been transformed into a globally significant manufacturing centre, with a migrant population of more than five million. Survey data suggested that young migrant workers contributed to 25 per cent of Guangdong's GDP growth between 1978 and 2003. In the past decade, some 80 million migrant workers in Guangdong also remitted over 200 billion *yuan* (c. US$24 billion) to their original homes (XHNA, 30 May).

Declining grain output and increasing concerns about food security were reflected in reaffirmations by central and local governments to subsidize grain cultivation. To this end, some ten billion *yuan* was to be taken from the national grain risk fund in order to provide direct subsidies to individual grain farmers in 13 major provincial grain-producing areas, which accounted for almost 70 per cent of total grain production. By this means it was hoped that recent falls in grain output would be reversed and the widening income gap between rich and poor narrowed. A State Grain Administration researcher argued that the move was "an inexorable choice" for China, as it entered a critical period of agricultural restructuring. The extension of such *direct* subsidies was unprecedented in China's post-1949 history. Another researcher insisted that the subsidies would

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not contravene WTO provisions, but would bring agriculture closer to international practices (XHNA, 6 May).

On 19 May, an executive meeting of the State Council, chaired by Wen Jiabao, endorsed a decision to fully liberalize the grain purchasing market in 2004 and passed a draft regulation on grain circulation management. This initiative, which underpinned the extension of direct subsidies to grain farmers, would facilitate the emergence of a "unified, open, competitive and orderly" grain market, thereby reforming the system of state-owned grain enterprises, which had previously held a monopoly in grain markets (XHNA, 19 May; see also Wen Jiabao's speech at a national conference on the reform of the grain circulation system in XHNA, 1 June, and for the text of Chinese regulations on grain distribution management, XHNA, 3 June).

Zhang Baowen (Vice-Minister of Agriculture) revealed that there existed 150 million surplus rural labourers in China. In contrast to 320 million workers currently tied to farming, he stated that the cropping sector needed only 150 million labourers, plus an additional 20 million to work in animal husbandry. Chinese farmers, said Zhang, were occupied for about five months in a year during sowing and harvesting seasons on their tiny farms (average per capita arable area was about one-tenth of a hectare). But with 38 per cent of the rural work force having only primary school education or less, low skill levels made it difficult for workers to find jobs outside farming (XHNA, 7 April).

Against the background of reports that Beijing was facing its most severe drought in over half a century, there were calls for legislation that would strengthen control on the exploitation of underground water and encourage the use of recycled water. Per-capita water supplies in the Chinese capital (300 cu. m.) were just one-eighth of the national average and one-thirtieth of the corresponding global figure. Even after completion of the south-north water diversion project, per capita supplies would rise to only 400 cu. m. (XHNA, 1 April). Later in the quarter, a report noted that the water level of the Miyun Reservoir, described as "Beijing's lifeline," was dangerously low (XHNA, 5 June). Vice-Minister of Water Resources Suo Lisheng confirmed the seriousness of the situation in his statement that Beijing faced the most severe shortage of water since 1949, noting that traditional water-saving methods were no longer adequate to combat the shortages. Accordingly, it was being proposed that in 2003, the price for tap water in Beijing should be raised by 28 per cent, from 2.9 to 3.7 *yuan* per ton (XHNA, 8 June).

An official of the Ministry of Water Resources highlighted the continuing problem of water shortages in China. Average per capita water supplies in China were under 2,200 cu. m. (25 per cent of the global average) and some 400 out of more than 600 cities in China faced shortages. Availability was well below demand – a problem that was mainly the result of lack of "proper administration" of water conservation. China needed 103 cu. m. of water to generate 10,000 *yuan* of industrial output, compared with 8 cu. m. in the US – and 6 cu. m. in Japan (but see also below); and only 55 per cent of water used by industry

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was recycled, compared with 75–85 per cent in developed countries. In Beijing alone, leakages caused the loss of 360,000 tons of water each year. Hence, the need for government action to rationalize the industrial structure and adjust the price of water. In the absence of such measures, per capita availability would decline to 1,700 cu.m. by the middle of the century, by which time the population would have risen to up to 1.6 billion people (XHNA, 22 April; see also Xinhua, 3 June, which reported that more than one-third of China's 30,000 reservoirs faced safety problems, such as seepage or dams in danger of collapse). Another report, issued by the Ministry of Water Resources (see Xinhua, 8 June), noted that in China average consumption of water per 10,000 *yuan* of GDP was 465 cu. m., or four times above the average world level.

There were reports throughout the quarter of power shortages throughout China. A Xinhua report (16 June) indicated that China might be facing the most severe shortages since the 1980s, and predicted a gap of 30m kW between electricity demand and supply during the summer. Zhao Xizheng (General Manager of the State Power Grid Company) attributed the problem to a variety of factors, including rapid industrial development (especially in the power-intensive machinery, automobile, steel and manufacturing sectors), accelerating urbanization and low energy efficiency. It was revealed that 24 provincial-level units had suffered power cuts in recent months.

Data published by the National Bureau of Statistics and the National Meteorological Bureau showed that central and local governments distributed 5.29 billion *yuan* for disaster relief during 2003, 32.3 per cent more than in 2002. In the same period, natural disasters affected 54.39 million hectares of arable land, of which 32.5 million hectares were "damaged" and 8.55 million hectares suffered harvest loss. Such disasters affected 490 million people and caused 2,259 deaths; the associated financial loss was estimated to be 188.42 billion *yuan* (1.6 per cent of GDP). In a separate report, it was also revealed that in 2003 flooding in the Chang [Yangtze] River valleys had affected 79 million people (of whom 644 lost their lives) and caused direct economic losses of 35 billion *yuan* (4.21 billion US dollars).

Vice-Premier Huang Ju reaffirmed the Chinese government's determination to press on with its programme of financial reform. Addressing the 2004 Beijing International Finance Forum, he said that China would pursue such reforms in the following five areas: first, improving the country's financial regulatory mechanism; secondly, transforming two of the largest state-owned banks – the Bank of China and Construction Bank of China – into share-holding companies with "advanced corporate governance" (this to be achieved within two years); thirdly, opening the financial sector – banking, insurance and securities – to the outside world; fourthly, enhancing the efficiency of monetary policies in order to counter inflationary pressures and other financial risks; and fifthly, encouraging new financial services and products in order to raise the profile of the equity market in corporate financing (XHNA, 19 May).

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The State Administration of Foreign Exchange (SAFE) reported that China's foreign exchange reserves reached US$403.25 billion at the end of 2003 – an annual rise of US$116.8 billion. The current account surplus in international payments was US$45.88 billion. Capital and financial accounts recorded a surplus of US$52.73 billion (XHNA, 28 April).

(e) *Minorities (Tibet)*

In May Xinhua published a 'White Paper,' entitled "Regional Ethnic Autonomy in Tibet," issued by the State Council's Information Office (text in XHNA, 23 May). It provided evidence of rapid social and economic development that had taken place in the region in recent years. Since the founding of the Tibet Autonomous Region, some 94.9 per cent of its financial expenditure derived from central government subsidies. Between 1965 and 2003, Tibetan's GNP had risen from 327 million *yuan* to 18.459 billion *yuan* (an average rate of growth of 11.2 per cent p.a.), while average per capita GDP had increased from 241 *yuan* (US$29) to 6,874 *yuan* (US$831). In contrast to almost universal illiteracy in the past, by 2003 almost 92 per cent of school-age children went to school and the rate of illiteracy had fallen to less than 30 per cent. The infant mortality rate had declined from 43 per cent (pre-1959) to 3.1 per cent; average life expectancy had increased during the same period from 35.5 to 67 years.

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

In the face of widespread criticism within Hong Kong of Beijing's interpretation of the Basic Law, the Secretary for Justice (Elsie Leung) castigated the critics as *de facto* opponents of the principle of 'one country, two systems.' She insisted on the central Chinese government's power to interpret the Law, arguing that such authority would not undermine freedom and other rights in HKSAR (RTHK, 5 April). Meanwhile, according to the same source, a member of the Basic Law Committee (Raymond Wu) confirmed that a draft interpretation on key electoral provisions of the Basic Law would assert the Chinese government's authority to involve itself in Hong Kong's political affairs. Wu said that Beijing's interpretation had been prompted partly by its perception of weak leadership by the HKSAR Chief Executive (Tung Chee Hwa) and by its loss of faith in the people of Hong Kong (for other relevant reports, see also above under 'NPNSC').

On 11 April, an estimated 30,000 people – including the head of the Democratic Party (Yeung Sum) – attended a rally in Hong Kong in order to protest against the NPCSC's interpretation of the Basic Law. They marched from Central District to Beijing's Liaison Office, where they presented a petition. The demonstrators' message was that the central authorities in Beijing should undertake to give no more interpretations of

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the HKSAR Basic Law without prior consultation with the people of Hong Kong (RTHK, 11 April).

On 11 April, the Chief Secretary for Administration (Donald Tsang) attended a press conference, following the release of the Second Report of the Constitutional Development Task Force. He drew attention to several issues of principle addressed in the Report, which he classified as follows: those relating to the relationship between the Chinese central government and HKSAR; those relating to the "principles of 'actual situation' and 'gradual and orderly progress' that must be followed in pursuing constitutional development in the HKSAR;" and the principles of "meeting the interests of different sectors of society" and of "facilitating the development of the capitalist economy." Tsang suggested that there were few dissenting views on the issues raised in the first category, but that more significant differences had emerged in regard to the matters raised by the other two categories. He noted too that Chief Executive Tung Chee Hwa would submit a report to the NPCSC, recommending the revised methods by which the HKSAR Chief Executive and the Legislative Council should be appointed in 2007 and 2008 (HKSAR government web site, 15 April, which also contains the text of the Task Force's 'Constitutional Development Report').

On 11 May, the Constitutional Development Task Force issued its Third Report, in which it identified areas in which amendments for the methods of selecting the Chief Executive (2007) and Legislative Council (2008) might be made. Tung Chee Hwa acknowledged that "there is an aspiration in the community for returning the Chief Executive and all members of the Legislative Council by universal suffrage … [and] … that some people feel disappointed about not having universal suffrage in 2007 and 2008." But he was at pains to insist that the NPCSC's recent interpretation of relevant provisions of the HKSAR Basic Law and its decision on constitutional issues had been made wholly in the interests of Hong Kong's long-term prosperity and stability. He also gave an assurance that seeking universal suffrage in Hong Kong's democratic development process remained a long-term goal, which would not change (HKSAR government web site, 11 May).

Following the publication of the National Unification Promotion Law of the People's Republic of China (First draft, 1 November 2002) (see Hong Kong, Phoenix TV web site, 17 May), a Hong Kong government spokesman was at pains to state that no official decision had been taken in China on whether or not the law would apply to Hong Kong. The spokesman said that the HKSAR government would liaise with the central authorities in Beijing, and would offer no further comment until more information had been received.

On May Day (1 May), thousands of workers took part in labour rallies to protest against government restrictions on workers' rights, including those on working hours and a minimum wage. The demonstrations were also a means of venting anger against the NPC for its denial of the "rights of the people of Hong Kong to democracy and universal suffrage" (RTHK, 1 May).

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On 4 June – the 15th anniversary of the 'Tiananmen Massacre' – over 50,000 people were reported to have attended a candlelight vigil. Speakers, including media representatives, took advantage of the occasion to express grave concern about alleged restrictions on freedom of expression in Hong Kong (see also *The Standard* web site, 28 June). Addressing some 800 Roman Catholics taking part in a prayer meeting the same evening, the head of the Catholic Church in Hong Kong (Bishop Joseph Zen Ze-kiun) urged members of the church to fight those who breached the principle of "one country, two systems" and threatened freedom of speech in Hong Kong. He was quoted as saying that Hong Kong had experienced its own "4 June" earlier in the year, when hopes of achieving universal suffrage had been dashed by the NPCSC ruling on the HKSAR Basic Law. Bishop Zen commented,

> The 4 June we experienced did not shed any blood, there were neither tanks nor machine guns. But in their fierce shape, the so-called 'guardians of the Basic Law' came to lecture us about patriotism, and certain [Beijing officials] claimed some people wanted to achieve independence [for Hong Kong] … The authoritarians massacred our patriotic youngsters. How can we not fight for their vindication? Some people have breached the 'one country, two systems' principle one-sidedly by interpreting the Basic Law. How can we not stand up and say 'no'? (*SCMP*, 5 June; see also *SCMP*, 26 June)

Following a report that Hong Kong's GDP had grown by 6.8 per cent in the first quarter of 2004, Tung Chee Hwa suggested that the corresponding figure might reach double-digit between April and June.

2. Foreign Relations

(a) *Diplomatic Tours*

Wen Jiabao's visits to Germany, Belgium, Italy, the UK, Ireland and the Headquarters of the European Commission (Brussels) (2-12 May)

On 2 May, Wen Jiabao arrived in Munich on the first leg of his European tour – his first since becoming Prime Minister. In a written statement on his arrival, he referred to the potential for the development of even stronger relations between China and Germany, which he hoped his current visit would help promote. He noted that Germany was China's largest European economic and trading partner, with two-way trade reaching US$41.8 billion in 2003.

The following day Wen held talks in Berlin with Chancellor Gerhard Schroeder. They issued a joint statement, which spoke of the two sides' broad agreement on important international issues and in which they gave an undertaking to seek closer ties. The statement described the reciprocal establishment of consulates in Frankfurt and Chengdu as an important signal of intent to deepen bilateral political and economic relations. It also contained reaffirmation by the German government to adhere to the 'one China' policy in support of the peaceful reunification of China and to oppose the "independence of Taiwan." The document

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spoke of the two sides' agreement to continue discussions on legal developments and human rights, and to promote the goals and principles contained in the UN Charter and the World Declaration on Human Rights. In particular, the German side welcomed the recent inclusion of a human rights provision in the Chinese Constitution, and noted China's intention to ratify the Covenant on Civil and Political Rights (XHNA, 3 May).

Zhongguo xinwen she quoted Wen Jiabao as saying that his discussions in Germany had generated consensus in five areas: the establishment of a mechanism to facilitate regular meetings between the Chinese Premier and German Chancellor; the doubling of bilateral trade by 2010 (this against the background that in 2003 two-way trade accounted for one-third of all Sino-European trade); the strengthening of co-operation in high and new technology and the embodiment of such activities in future high and new technology economic plans; the expansion of enterprise co-operation, especially among small and medium-scale units; and the creation of a mechanism for consultation and discussion on important international and regional issues. Subsequently, the two leaders attended a signing ceremony for seven co-operative projects. They included: a memorandum of understanding on scientific and technological co-operation in support of industrial reinvigoration in China's North-East; an agreement on conducting "measurements-related" co-operation; a letter of intent on a contract for the purchase by Hainan Airlines of Dornier jets; and a framework agreement on feasibility studies for the Beijing Benz car project (*ZXS*, 4 May).

Wen travelled from Berlin to Brussels, where he exchanged views with Belgian leaders and officials of the EU on bilateral and international issues. In talks with King Albert II (5 May), Wen spoke of the rapid growth of bilateral relations since the establishment of diplomatic ties between China and Belgium. He said that his government attached great importance to its relationship with Belgium and hoped for even stronger, long-term mutually-beneficial bilateral ties (XHNA, 6 May).

In his talks with the Belgian Prime Minister (Guy Verhofstadt), Wen suggested ways in which future bilateral relations might be further promoted. They included the maintenance of high-level visits; the strengthening of dialogue, consultation and co-operation on bilateral and multilateral issues; the establishment of a long-term and stable trade and economic partnership; and increased co-operation in education, science and technology, and health. The Chinese Premier's positive comments were echoed in Verhofstadt's remarks. The two men later signed a joint declaration on reinforcing political dialogue.

In Brussels on 6 May, Wen Jiabao addressed a China-EU Investment and Trade Forum, jointly sponsored by the Chinese Ministry of Commerce and the EC's Directorate-General for Trade. He spoke enthusiastically of Sino-EU relations and the two sides' efforts to create a "comprehensive strategic partnership." He drew attention to the economic complementarities between China and EU member states: not least, China's huge market potential and abundant human resources, and the

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EU's role as the world's largest developed economy (underpinned by its abundance of capital, advanced science and technology and its high degree of internationalization) (XHNA, 6 May, which also has the full text of the China-EU Joint Statement).

Later the same day, Wen flew to Rome, where he later attended a welcoming banquet hosted by the Italian Foreign Minister, Franco Frattini. On 7 May the Chinese Premier met his Italian counterpart, Silvio Berlusconi, with whom he exchanged views on bilateral relations and international issues. The two men also participated in a seminar on promoting investment between their two countries (Italy was China's fifth-largest trading partner in the EU, with two-way trade having reached US$11.7 billion in 2003).

A joint communiqué issued by the two sides noted their agreement to further their relations by establishing a "stable, friendly, long-term and sustainable strategic partnership," and called on them both to co-operate more closely in regional and international affairs. It revealed that the two leaders had agreed to set up a governmental committee, intended to facilitate closer co-operation, as well as to enhance high-level contacts in order to improve dialogue on anti-terrorism, the prevention of proliferation and the protection of human rights.

In London on 10 May, Wen Jiabao held talks with Prime Minister Tony Blair in Downing Street. They discussed the future development of Sino-British relations, as well as international and regional issues (*ZXS*, 10 May). They undertook to work together in order to establish a mutually-beneficial "comprehensive strategic partnership," and to strengthen bilateral and multilateral co-operation in various fields. A joint statement issued after their talks highlighted significant progress that had been made since Blair's visit to China in July 2003, including initiatives in trade and investment, finance, education, science and technology, energy and the environment. During the current visit, both sides had agreed to intensify the programme of high-level exchanges and visits, and enhance co-operation in various areas, such as strategic security and non-proliferation. It was also reported that Wen and Blair had had a "friendly and open" exchange of views on Hong Kong and related issues (XHNA, 10 May).

Wen also had an audience with HM Queen Elizabeth II. He recalled the positive impact on bilateral relations of the Queen's visit to China in 1986, and spoke of the common interests shared by China and Britain. He drew special attention to the benefits to both sides that would flow from further co-operation in education, science and technology, and culture. The Queen noted the large number – currently in excess of 60,000 – of Chinese students and visiting scholars in Britain, and spoke of the contribution they made towards closer bilateral ties.

The final leg of his European tour took the Chinese Premier to Ireland, where he held talks with his Irish counterpart, Bertie Ahern and President Mary McAleese. His discussions with Ahern focused on bilateral and Sino-European relations, and other issues of shared concern. He noted that solid progress had been made in developing Sino-Irish relations in

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recent years – especially in terms of trade and economic co-operation. In the interests of further strengthening such ties, he called for wider political co-operation, expanded trade and investment, and closer educational, cultural and technological co-operation. Following their talks, the two men attended a ceremony for the signing of a 'Memorandum of Understanding on Tourist Visas for Chinese Tour Groups to Ireland and Related Matters.'

The Chinese Premier returned to Beijing on 13 May.

Hu Jintao's visits to Poland, Hungary, Romania and Uzbekistan (8-18 June)

On 8 June, President Hu Jintao arrived in Warsaw for a two-day state visit, intended to strengthen bilateral relations and co-operation. It was the first state visit to Poland ever to be undertaken since the two countries established diplomatic relations in October 1949. Hu's discussions with President Aleksander Kwasniewski focused on questions related to bilateral co-operation (especially trade and other forms of economic co-operation), as well as regional and global issues. As head of state of a new member of the European Union, Kwasniewski gave an undertaking to assist in promoting even closer relations between China and the EU. Following their talks, the two heads of state signed a joint statement, in which they confirmed the "extensive consensuses reached by the two countries' leaders," and announced the establishment of a "friendly co-operative partnership" on the basis of which they would seek to expand bilateral ties. Hu later said that his visit to Poland had achieved the desired objectives, and had "increased mutual understanding and friendship, enhanced trust and reached wide-ranging consensus." During his visit, Hu also met other Polish leaders, including Premier Marek Belka (XHNA, 8-9 June).

Hu Jintao flew from Warsaw to Budapest, where he held talks with Hungarian government officials. His discussions with President Madl Ferenc again focused mainly on bilateral relations (including increased political and economic co-operation), but also embraced regional and global issues. Subsequently, the two men witnessed the signing of six co-operation documents on education, culture, the opening of new air routes between Beijing and Budapest, and the sale to China of bus parts produced in Hungary. It was also reported that the two sides had agreed to open a bilingual school in Budapest, teaching both Chinese and Hungarian. Trade was the main topic of discussion in a meeting between Hu and the Hungarian Prime Minister (Peter Medgyessy). In another meeting with Hungarian businessmen, Hu noted that two-way trade between China and Hungary had reached US$2.6 billion – a rise of 66 per cent above the level of 2002. But he added that although Hungary was China's largest trading partner in Central and Eastern Europe, and although China was Hungary's fifth-largest trading partner globally, bilateral trade accounted for less than 0.3 per cent of China's total foreign trade (XHNA, 10-11 June).

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On 12 June, the Chinese President arrived in Constanta, prior to travelling to Bucharest to meet Romanian government officials. The prospects for increased bilateral co-operation was again the principal matter for discussion. In a subsequent joint statement, the two sides undertook to encourage enterprises in both countries to co-operate or invest in various fields, including information, communication technology, infrastructure, agriculture, and environmental protection. Hu also met Prime Minister Adrian Nastase and addressed the Romanian Parliament (XHNA, 13-14 June).

The final leg of his tour took Hu to Uzbekistan, where he not only held discussions with government leaders, but also took part in a summit meeting of the Shanghai Cooperation Organization (SCO) (see under 'Central Asia'). In Tashkent he held one-to-one talks with President Islom (Islam) Karimov, during which regional security, as well as questions of bilateral co-operation, were addressed. On 15 June the two sides signed a joint declaration on further developing their relations. They also signed ten documents, which included an inter-governmental agreement on co-operation in combating trafficking in drugs and psychotropic substances, and a technical and economic co-operation agreement (which provided US$2.4 million of Chinese aid to Uzbekistan). China also undertook to provide a 10-year interest-free loan of 50 million *yuan* for projects over a five-year period, and to extend credit worth 300 million *yuan* at an annual interest rate of 2 per cent over a 20-year period (Moscow, ITAR-TASS, 15 June and XHNA, 15 June). Hu later addressed the Uzbek Parliament.

(b) *Countries, Territories and Regions*

Africa (Mozambique, Madagascar, Botswana, Uganda, Tanzania, Guinea-Bissau, Eritrea)

President Joaquim Alberto Chissano of Mozambique visited China in April. Hu Jintao told Chissano of the Chinese government's wish to strengthen bilateral ties and called for further high-profile visits and exchanges between officials of the two countries. In addition to stepping up co-operation in regional and international affairs, Hu also called for stronger trade and economic relations (especially in farming, mining, infrastructural construction and human resource development). He noted the increasingly important role played by Africa in international affairs, drawing particular attention to the work of the Africa Union and the 'New Partnership for African Development.' He reaffirmed China's support for peaceful development throughout Africa. The two leaders later attended a signing ceremony of two documents on trade and economic co-operation (XHNA, 5 April).

On 12 May, the President of Madagascar (Marc Ravalomanana) arrived in Beijing for a seven-day state visit to China. The following day, he met Hu Jintao, with whom he discussed bilateral and other issues. Hu Jintao hoped that relations between the two countries could be further expanded, to which end he pledged the Chinese government's willingness

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to strengthen consultation and co-operation in a range of activities, including education, culture, public health and the development of human resources. The two leaders subsequently a signing ceremony of co-operation documents, including an 'Agreement between the PRC Government and the Government of the Madagascan Republic on Economic and Technological Co-operation' (XHNA, 13 May).

In talks with the Foreign Minister of Botswana (Mompati Merafhe), Li Zhaoxing spoke of his government's willingness to take bilateral relations to a new level of development. He hoped that various forms of co-operation might be expanded (XHNA, 24 May).

In late May, the President of Uganda, Yoweri Museveni, travelled to Shanghai, where he attended the Global Conference on Poverty Reduction. Subsequently, Museveni held talks with Hu Jintao in Beijing, in the course of which the Chinese President undertook to further promote the "long-term, equal and co-operative partnership of mutual benefit" between China and African countries, including Uganda. He expressed his gratitude to the Ugandan government for adhering to the 'one China' policy and supporting China in its stance on Taiwan's efforts to join the World Health Assembly (XHNA, 27 May; for the content of Hu's three-point proposal on Sino-Ugandan relations, see XHNA, 28 May).

On 30 May, the Tanzanian President (Benjamin Mkapa) arrived in Beijing, where he met Hu Jintao and other senior government officials. During Mkapa's visit, the Chinese and Tanzanian Foreign Ministers (Li Zhaoxing and Jakaya M. Kikwete) also held discussions.

Also during the quarter, the foreign ministers of Guinea Bissau (Soares Sambu) and Eritrea (Ali Sayyid Abdallah) visited China, where they held talks with senior Chinese government officials, including Li Zhaoxing.

Central and Eastern Europe (Albania, Republic of Latvia, Czech Republic)

On 4 April Li Zhaoxing held talks in Beijing with the Albanian Foreign Minister, Kastriot Islami. Li spoke of the smooth development of bilateral relations and co-operative ties. Islami reaffirmed his government's commitment to the 'one China' policy (XHNA, 4 April).

Later the same month, the President of Latvia (Vaira Vike-Freiberga) made an eight-day state visit to China. She spoke of the high premium that her government placed on extending co-operation with China and hoped for a further strengthening of economic ties. A senior Chinese official noted that bilateral trade had reached US$130 million in 2003 – 78 per cent above the level of the previous year – and was growing rapidly. She drew attention to mutually-beneficial investment potential in information technology and telecommunications, wood processing, electronic appliances and shipbuilding (XHNA, 4 April).

In his discussions with President Vike-Freiberga, Hu Jintao put forward proposals for strengthening relations between China and Latvia. They included holding more exchanges and dialogues; formulating mea-

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sures to expand trade and economic co-operation; and promoting more cultural exchanges. Vike-Freiberga gave an undertaking that Latvia would maintain its adherence to a 'one-China' policy and support Chinese reunification. Following these talks, the two sides signed six documents including an agreement on visa exemption between the Macau Special Administrative Region (SAR) and Latvia (XHNA, 15 April; see also Riga, Diena web site, 20 April).

Later still in April, the Czech President (Vaclav Klaus) travelled to Chengdu at the start of a state visit to China. In the Sichuan capital, Klaus reviewed progress in economic co-operation programmes between Czech and Sichuan enterprises in western China. Following his arrival in Beijing, he held talks with Hu Jintao on bilateral and other issues of common concern. Hu spoke of continuing progress being made in the development of political and economic relations, and insisted that no unsolved issue nor any fundamental conflict of interest remained between China and the Czech Republic. He called for the further expansion of trade and economic co-operation, especially in forestry, shipbuilding, the manufacture of car accessories and electric power generation. He also proposed that the two countries join together in promoting environmental protection. Such remarks were echoed in Klaus's response (XHNA, 22 April).

Central Asia (Shanghai Cooperation Organization (SCO))

Li Zhaoxing led a Chinese delegation to a meeting of the Council of Foreign Ministers of SCO, held in Moscow on 23 April. He spoke positively of the achievements of the SCO (including organizational initiatives underway since the 2003 SCO Summit Meeting) and called for even stronger co-operation among its members in advance of the 2004 Summit, to be held in Tashkent. He warned of the security threat still posed by terrorism in the region, and sought to uphold the interests of SCO member countries by intensifying co-operation against the so-called "three forces" (of terrorism, extremism, and splittism). He also advocated efforts to implement outline plans for further economic and trade co-operation within the SCO. Nor, said Li, should the wider international role of SCO be ignored: hence, in the interests of global peace and development, the need for more exchanges with foreign countries in order to counter unilateralism, terrorism, local conflicts and wars, cross-country crimes, environmental pollution and the widening North–South economic gap. Other speeches were made by the foreign ministers of other SCO members – Russia, Kazakhstan, Tajikistan, Uzbekistan and Kyrgyzstan, as well as by SCO Secretary General Zhang Deguang. The meeting adopted various documents, including an agreement on co-operating in combating drugs (XHNA, 23 April).

On 17 June, the SCO formally inaugurated its regional anti-terrorist body ("SCO Regional Anti-Terrorist Structure"). Its principal goals were as follows (see Xinhua, 17 June):

- to co-ordinate, among SCO members and internationally, efforts to

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combat the "'three evil forces' of terrorism, separatism and extremism;"
- to formulate draft international legal documents on combating the "three evil forces," including working to this end with the UN Security Council and its anti-terrorism committee;
- to collect and analyse information provided by SCO member states on matters concerning the fight against "three evil forces;"
- to organize conferences for the exchange of experiences on combating the "three evil forces."

Also on 17 June, the fourth SCO Summit was held in Tashkent. The heads of state of the six member states discussed mechanism building and the regional situation. They also signed and ratified the "Tashkent Declaration" and other major documents on co-operation, and adopted various measures designed to promote economic, security and other forms of co-operation.

In a speech to the Summit meeting, Hu Jintao called on SCO member states to strengthen their political, security, economic and cultural co-operation. To these ends, he stressed the importance of adhering to political practices of multilateralism and the "democratization of international relations." He urged the establishment of a new security concept, which rejected previous notions of "absolute unilateral security" in favour of co-operative security, based on "mutual confidence, mutual benefit, equality, and collaboration." His economic agenda was defined in terms of the need to achieve "balanced development across countries and regions" in order to narrow the North–South gap (XHNA, 17 June).

Commonwealth of Independent States (Russia, Kazakhstan)

On 21 April, Li Zhaoxing held talks with the Russian Foreign Minister (Sergey Lavrov) in Moscow. Both men spoke enthusiastically about the Sino-Russian "strategic partnership of co-operation" and undertook to accelerate the development of bilateral relations. In particular, Li called for more non-governmental exchanges between the two sides. The same day, President Putin met Li and praised the level of co-operation that existed between Russia and China. He drew special attention to 2004 as the year marking the 55th anniversary of the reciprocal establishment of diplomatic relations.

On 16 May, the President of Kazakhstan, Nursultan Abish-uly Nazarbayev, began a state visit to China, designed to promote political, economic and trade, and humanitarian co-operation. Two days later, he held talks with Jiang Zemin, who gave an assurance that the Chinese government was determined to strengthen its "good-neighbourly" relations with Kazakhstan. Jiang spoke of the importance which China attached to furthering ties with Kazakhstan, while Nazarbayev noted that the two countries had put in place a framework in which trade and economic co-operation could steadily advance. He was unequivocal in his insistence that Kazakhstan would seek to expand co-operation with China in all fields.

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Such remarks were echoed in Nazarbayev's discussions with Wen Jiabao, who pointed out that bilateral trade had reached US$3.3 billion in 2003 – 68 per cent above the level of the previous year – and had risen by a further 87.7 per cent in the first quarter of 2004. The Chinese Premier also spoke enthusiastically of the agreement on energy co-operation, signed during Nazarbayev's current visit. The Kazakh President returned home via Urumqi on 19 May.

On 17 May, a signing ceremony was held for ten bilateral agreements. One of them was a framework agreement, intended to lead to comprehensive co-operation in oil and natural gas, signed by Ma Kai (Minister of the State Development and Reform Commission) and Vladimir Sergeyevich Shkolnik (Minister of the Kazakh Energy and Mineral Resources). The full text of the Chinese and Kazakh Joint Statement on Nazarbayev's visit was published by Xinhua on 17 May.

Japan

The Japanese Foreign Minister, Yoriko Kawaguchi, arrived in Beijing on 3 April on a visit that was intended to smooth relations in the wake of a territorial dispute over the Senkaku [Diaoyu] Islands in the East China Sea and Prime Minister Junichiro Koizumi's repeated visits to the Yasukuni War Shrine in Tokyo. In her talks with Primer Wen Jiabao, Kawaguchi sought China's support for her own government's efforts to resolve the issue of Japanese nationals abducted by North Korea. In the face of Kawaguchi's protest over the landing on one of the Senkaku Islands by seven Chinese activists (24 March), Wen insisted that the islands in question were Chinese territory. He also urged Japanese officials for the sake of improved bilateral relations not to visit the Yasukuni Shrine. He said that he would visit Japan when relations between the two countries had improved (Kyodo,3 April).

Talks between the two foreign ministers focused on bilateral and regional issues. Kawaguchi spoke of the importance of her country's relations with China and insisted that Japan regarded China's buoyant economic growth as an opportunity, not a threat. She also spoke of the contribution that enhanced bilateral co-operation could play towards regional peace and stability. However, Li Zhaoxing was more at pains to express his government's concern over Japan's attitude towards Taiwan, as revealed by its "words and acts due to historic factors." In particular, he warned against Japan sending any "erroneous message" to Taipei and those in Taiwan authority who advocated Taiwan independence. Li's remarks on the Senkaku Islands and Yasukuni Shrine issues echoed those of Wen Jiabao (XHNA, 3 April). Kawaguchi also met State Councillor and former Chinese Foreign Minister, Tang Jiaxuan.

Latin America (Colombia, Brazil, Argentina)

On 5 April, Li Zhaoxing held talks in Beijing with the Colombian Foreign Minister, Maria Carolina Barco Isakson. He spoke with satisfaction of the growth of the two countries' "friendly and co-operative"

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relations, while Ms. Barco hoped that further co-operation could be achieved beyond existing spheres in which they were working – namely, agriculture and education.

On 22 May, the Brazilian President (Luiz Inacio Lula da Silva) began a state visit to China, during which he held talks with Hu Jintao and Wen Jiabao, and attended the Global Conference on Poverty Reduction in Shanghai. A joint communiqué referred to the two sides' "fruitful talks" on bilateral relations and regional and international issues, and gave an undertaking to strengthen bilateral relations. It was reported that several documents on improving bilateral co-operation had been signed, and that the two countries had agreed to establish a China–Brazil committee on high-level co-ordination and co-operation to facilitate such improvements. The committee would be chaired by Chinese Vice-Premier Wu Yi and the Vice-President of Brazil, Jose Alencar (XHNA, 24 May).

In June, the President of Argentina (Nestor Kirchner) travelled to China and held discussions with senior Chinese government officials. At a seminar on economic co-operation between China, Argentina and the South American Common Market (SACM), Kirchner referred to the potential for expanded trade and economic co-operation between Argentina and China, and looked forward to an increase in exports of food and other farm products to China. In his talks with Kirchner, Hu Jintao meanwhile noted that China was the fourth-largest trade partner of Argentina and the largest export market in Asia for the SACM (Brazil, Argentina, Uruguay and Paraguay). In 2003, two-way trade between China and Argentina rose by 122.9 per cent to reach US$3.176 billion (XHNA, 28 June).

Middle East and North Africa (Iraq, Syria)

Just over a week after their abduction (4 April) on a highway between Mosul and Fallujah (c. 50 km. west of Baghdad), seven Chinese workers were released by their captors. All seven were from Fujian province. On 12 April, a statement was issued by the Chinese Foreign Ministry advising Chinese nationals not to travel to Iraq.

A Xinhua commentary spoke of the universal shock caused by photographs of the humiliation of naked, hooded Iraqi prisoners held in custody by US troops. It said that the pictures had seriously undermined the image of the United States and "exposed its 'double standard' in dealing with freedom, democracy and human rights issues." It concluded as follows:

> Human rights violation by Saddam's regime was used by the Bush administration as one of the justifications to invade Iraq. But the prisoner abuse by US troops … revealed the true face of the superpower. … Media reports have shown that the inhumane acts are rampant not only in Iraq, but also in Afghanistan and Guantanamo Bay. … In face of the abuse scandal, would the United States continue boasting itself as the 'human rights defender' or 'human rights judge?' – Washington had better resolve its own human rights problems first (XHNA, 18 May).

In June, President Bashar al-Asad of Syria held talks with President Hu Jintao in Beijing. The two men were said to have reached "extensive

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consensus" on bilateral relations and other issues of shared concern. Hu looked forward to extending co-operation in new fields of agriculture, science and technology, and telecommunications, as well as in the oil industry. He called too for existing co-operation in textiles, the manufacture of household electric appliances and infrastructural construction to be stepped up. After his return to Damascus, President Bashar al-Asad described his visit to China as "successful and fruitful."

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

A South Korean source reported talks in Beijing (19-21 April) between the North Korean leader, Kim Jong-il, and senior Chinese officials, including Jiang Zemin, Wen Jiabao, Wu Bangguo and Zeng Qinghong. According to the report, Kim briefed the officials on the economic situation in North Korea (including its reform programme) and sought Chinese economic aid. It was suggested too that Kim had undertaken to pursue a resolution of the nuclear issue at the six-party talks, and had asked for Chinese assistance in persuading the US to soften its hard-line stance (Seoul, *Choson Ilbo*, 20 April; see also Hong Kong, *South China Morning Post*, 20 April).

Xinhua (21 April) reported a proposal by Hu Jintao that China and North Korea should strengthen high-level exchanges in order to enhance mutual understanding and trust. The Chinese news agency noted that Kim's visit had made progress in a number of areas: it had helped consolidate the friendly relationship that existed between China and North Korea; it had facilitated improved mutual understanding and trust; it had generated a consensus on the need for further bilateral co-operation; and it had led to agreement by both parties to press on with the six-party talks on the Korean Peninsula (XHNA, 21 April).

Pacific Islands (Cook Islands, Fiji)

The Prime Minister of the Cook Islands, Robert Woonton, arrived in Shanghai on 25 April at the start of a visit to China. Following his arrival in Beijing, on 28 April Woonton held talks with Premier Wen Jiabao, who called on both countries to explore ways of strengthening bilateral relations. The two sides later signed an economic and technological co-operation agreement. In Beijing, Woonton also met the Chinese Minister of Commerce, Bo Xilai.

At the end of the quarter, the Prime Minister of Fiji (Laisenia Qarase) held talks in the Chinese capital with Wen Jiabao and other Chinese government officials. Wen urged the two sides to strengthen their co-ordination in regional and international affairs, as well as promoting the further development of bilateral relations (e.g. by extending co-operation in agriculture, forestry and fishing, and in education, culture, science and technology, human resources, etc.). Quarase also met Hu Jintao (details in XHNA, 30 June) and the two sides duly issued a joint statement (text in XHNA, 30 June).

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South Asia and Indian Ocean (Pakistan)

On 9 April, the Foreign Minister of Pakistan (Khurshid Mahmud Kasuri) visited Beijing, where he held talks with senior Chinese CCP and government officials. Kasuri later revealed that the Chinese government had expressed its support for Pakistan's wish to join the Association of Southeast Asian Nations (ASEAN) regional forum and the Shanghai Cooperation Organization (SCO). He spoke of the success of his three-day visit to China, especially in helping to strengthen bilateral co-operation and understanding on regional and international issues (Pakistan Television, 10 April).

Southeast Asia (Cambodia, Vietnam, Malaysia)

On 20 April, the Cambodian Prime Minister, Hun Sen, travelled to Shanghai and Beijing for talks with Chinese leaders, and to attend the Boao Forum for Asia in Hainan. It was Hun Sen's fourth visit to China as Premier. In his talks with Hun Sen, Wen Jiabao made a four-point proposal designed to strengthen bilateral relations. It included extending high-level political exchanges; promoting further trade and economic co-operation (especially in agriculture, telecommunications and infrastructural construction); seeking more cultural, educational, sports and tourist exchanges; and seeking greater co-operation in regional and sub-regional fora. The two sides later signed ten co-operative documents, including an agreement on economic and trade co-operation (XHNA, 20 April).

Following his arrival Beijing, the Vietnamese Prime Minister (Phan Van Khai) held talks with Wen Jiabao (20 May). Both men acknowledged that the development of bilateral relations was proceeding satisfactorily, Wen pointing out that recent years had witnessed a deepening of political mutual trust, extended co-operation, and effective co-operation in international affairs. Wen hoped that two-way trade could be doubled by 2010, and that, in the meantime, exchanges and co-operation through official and unofficial channels would also be expanded. Khai expressed similar sentiments, drawing particular attention to the complementarity that existed between the two countries' economies. He said that the Vietnamese government sought to make China its single most important trading partner as soon as possible, and he looked forward to increased investment by Chinese enterprises in Vietnam (XHNA, 20 May). Phan Van Khai also met President Hu Jintao (see XHNA, 21 May).

A group of Vietnamese entrepreneurs accompanied Khai during his visit, and following trade talks, a number of co-operative contracts were signed.

On 27 May, the Prime Minister of Malaysia (Datuk Seri Abdullah Ahmad Badawi) arrived in China on a visit that celebrated the 20th anniversary of the signing of diplomatic relations between the two countries. He was accompanied by senior Malaysian officials, including the foreign minister, and a delegation of over 500 businessmen, who were

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expected to sign at least 30 memorandums of understanding for joint ventures with their Chinese counterparts.

In his talks with Badawi (28 May), Wen Jiabao put forward a five-point proposal for strengthening bilateral relations. They included: increasing high-level visits and exchanges between the two countries; making use of the framework of relations between China and ASEAN in order to promote Sino-Malaysian bilateral ties; increasing trade and extending co-operation in agriculture, high technology, resources and infrastructure; and strengthening co-operation in regional and international affairs (XHNA, 28 May).

A joint communiqué issued at the conclusion of Badawi's visit noted that Malaysia would accord full market economy status to China. Malaysia was the third country to recognise this status (the other two being New Zealand and Singapore (text of the communiqué can be found in XHNA, 29 May)).

Taiwan [Republic of China]

CNA reported that following his arrival in Hainan in order to attend the 2004 annual conference of the Boao Forum for Asia (BFA), the former Prime Minister of Taiwan (Vincent Siew) met the Chinese President, Hu Jintao, at a welcome banquet for conference participants. Notwithstanding his role as an economic adviser to President Chen Shui-bian, Siew travelled to Hainan in his private capacity as Chairman of the private Cross-Strait Common Market Foundation. Also attending the forum were a number of Taiwanese businessmen, including Morris Chang (Chairman of the Taiwan Semiconductor Manufacturing Company) and Kao Chin-yen (Chief Executive of the Uni-President Group) (CNA, 23 April).

On 17 May, the Office for Taiwan Affairs under the CCP Central Committee and the State Council's Taiwan Affairs Office issued a statement on cross-strait relations (full text in XHNA, 16 May). It spoke of the serious challenge posed by alleged "'Taiwan independence' activities aimed at dismembering China" and attacked the Taiwanese President (Chen Shui-bian) for having "mustered together all kinds of separatists for 'Taiwan independence' activities … [and having] … left Taiwan society deeply torn with his vicious mischaracterization of the popular will of the Taiwan people, his unbridled instigation of hostility and animosity towards the mainland and his frenzied provocation to the status quo that both the mainland and Taiwan belong to the one and same China."

The statement was unequivocal in reaffirming China's determination to oppose the independence of Taiwan and safeguard Chinese sovereignty and territorial integrity. To this end, it called for a resumption of dialogue between China and Taiwan, the forging of closer cross-strait links, the realization of the "three links" and establishment of closer economic ties, and an increase in exchanges between the two sides. It warned, however, that the failure to pursue these goals would lead to even greater tension

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and danger. Thus, the Taiwan government had a clear choice: to recognise that Taiwan and China were the two parts of a single China, or to follow its "separatist agenda:"

> The Taiwan leaders must choose between such two roads. The Chinese people are not afraid of ghosts, nor will they be intimidated by brutal force. To the Chinese people, nothing is more important and more sacred than safeguarding the sovereignty and territorial integrity of their country. We will do our utmost with the maximum sincerity to strive for the prospect of peaceful reunification of the motherland. However, if Taiwan leaders should move recklessly to provoke major incidents of 'Taiwan independence,' the Chinese people will crush their schemes firmly and thoroughly at any cost" (XHNA, 16 May; for Taiwanese reactions, see CNA, 17 May).

There was a critical response to President Chen Shui-bian's inaugural address, following his election to a second term as Taiwanese President. One source accused Chen of showing no sincerity in his claim that he wished to improve cross-strait relations.

Following Chen Shui-bian's re-election, China's Vice-Minister of Commerce (Ma Xiuhong) reaffirmed her government's undertaking to protect the legal interests of Taiwanese investors in China, though adding that "we oppose resolutely anyone who promotes 'Taiwan independence' and separatist activities" (XHNA, 16 June).

United States of America

On 13 April, Vice-President Richard Cheney arrived in Beijing on a three-day working visit to China. It was his first visit as US Vice-President. The same day, he held discussions with Vice-President Zeng Qinghong, who spoke of the great importance which the Chinese government attached to Cheney's visit. Cheney reiterated his government's awareness of the importance of the Taiwan issue to Sino-US relations and reaffirmed the US administration's opposition to Taiwan independence. He expressed satisfaction at the level of bilateral relations and noted that the two countries had laid a firm foundation for co-operation in the struggles against terrorism and arms proliferation. On economic relations, Zeng noted that the level of two-way trade had risen some 50-fold during the previous 25 years, but that further potential growth remained considerable. He reaffirmed his government's commitment to abide by the rules of the World Trade Organization (WTO). The two men also exchanged views on the North Korean nuclear issue, reconstruction in Iraq and other matters of shared concern.

The following day, Cheney met the former Chinese President and current Chairman of the Central Military Commission, Jiang Zemin. Jiang spoke of further recent progress having been made in developing bilateral relations. He stressed the central importance of the Taiwan issue as a matter affecting China's sovereignty and territorial integrity, regional peace and stability, and the future of Sino-US relations. He reaffirmed the Chinese position of upholding the policy of "peaceful reunification and

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one country, two systems," but warned against any attempt to "separate Taiwan from the motherland." Cheney said that Washington would adhere to the "one China" policy, and abide by the three US-PRC joint communiqués (XHNA, 14 April).

On 21 April, the 15th session of the China–US Joint Commission on Commerce and Trade (JCCT) was held in Washington, DC. The meeting was jointly chaired by Vice-Premier Wu Yi, US Secretary of Commerce (Donald Evans) and US Trade Representative (Robert Zoellick). It focused on how to defuse trade disputes and help further facilitate bilateral co-operation. During the discussions, China called on the US to ease controls on high-tech exports, to recognize China as a market economy, and to desist from investigations of Chinese exports to the United States. The US negotiators pressed China on the trade imbalance between the two countries, as well as expressing concerns about China's intellectual property rights protection record, the level of value-added tax on imported semiconductors and other issues. Out of the meeting came an agreement to establish six working groups within the JCCT framework in order to examine the status of China's market economy, Sino-US trade relief measures, inspection and quarantine of farm produce, textile trade, intellectual property rights and statistical methods for the calculation of trade volume. Among eight documents signed by the two sides was a "high-tech 'end user visit letter of exchange'," which it was hoped would make possible increased American exports of high-tech goods to China (XHNA, 21–22 April and *ZXS*, 22 April; and see XHNA, 22–23 April for reports of separate meetings between Wu Yi and President George W. Bush, and the US Secretary of State, Colin Powell).

Following the death of former President Ronald Reagan, Hu Jintao and Li Zhaoxing sent messages of condolence to President George W. Bush and Colin Powell (US Secretary of State). Li also sent a message of sympathy to Reagan's wife, Nancy, and other relatives, and travelled to Washington in order to attend the former President's funeral (where he met Colin Powell). A Chinese foreign ministry spokesman commented on Regan's contribution to improving and developing US relations with China, and noted that it was during his Presidency that the two countries had signed the "'17 August' Communiqué," which established principles for the resolution of the issue of US arms sales to Taiwan.

Western Europe (The Netherlands, European Union (EU), Ireland, Germany, Sweden)

The Dutch Prime Minister (Jan Peter Balkenende) arrived in Beijing on 5 April at the invitation of Wen Jiabao. During a meeting with Balkenende on 7 April, Hu Jintao called on Holland to play a more active role in order to stimulate the further growth of Sino-EU relations (this against the background of Holland's impending assumption of presidency of the EU). He expressed satisfaction with existing levels of bilateral economic and political co-operation between China and Holland.

In a separate meeting, Balkenende exchanged views with Li Zhaoxing

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on a variety of issues, including the struggle against terrorism, non-proliferation, Afghanistan, the nuclear issue on the Korean Peninsula, and the Asia-Europe Meeting (ASEM). Both men agreed to strengthen consultation and co-operation in international affairs.

On 13 April, Romano Prodi (President of the EU Commission) arrived in Beijing on an official visit to China. In talks the same day, Premier Wen Jiabao made three suggestions for strengthening Sino-EU ties. They embraced the establishment of goals for the development of relations between China and the EU during the next ten to 15 years, including the enhancement of the "all-round strategic partnership" between the two sides through more visits between high-ranking officials; the implementation of policy documents signed by the two sides in 2003; and adherence to the principles of "mutual respect, equality and mutual benefit" in order to resolve of common concern. Wen Jiabao said that China advocated a stronger role for the EU in both regional and international affairs. Prodi expressed the hope that trade and economic relations between the EU and China would intensify in coming years (XHNA, 13 April).

On 19 April, during a visit to Dublin, where he attended the Sixth Asia-Europe Foreign Ministers Meeting, Li Zhaoxing held talks with the Irish President, Mary McAleese. Ms. McAleese told Li that Ireland sought to strengthen its relations and economic co-operation with China. Li also met Prime Minister Bertie Ahern.

Statistics showed that in 2003, German exports to China reached US$21.5 billon–24.9 per cent higher than in 2002 – while imports were valued at US$29.5 billion (up 17.3 per cent). As a result, China moved from 12th to tenth place among Germany's export destinations (XHNA, 14 May).

On 23 June, Laila Freivalds (the Swedish Foreign Minister) discussed the development of bilateral relations and other regional and international issues with the Chinese Foreign Minister, Li Zhaoxing. Freivalds spoke of the importance which the Swedish government attached to its relations with China and reaffirmed its commitment to the one-China policy.

(c) International Meetings (Boao Forum for Asia (BFA); Association of South-East Asian Nations (ASEAN); Asia Cooperation Dialogue (ACD))

Some 1,000 participants from 26 sponsoring states attended the 2004 annual conference of the Boao Forum for Asia (BFA). They included President Hu Jintao, the President of the Czech Republic (Vaclav Klaus), former US President George Bush, former Australia Prime Minister Robert Hawke, and the prime ministers of Cambodia and Pakistan (Hun Sen and Mir Zafarullah Khan Jamali). In advance of the meeting, Long Yongtu – BFA Secretary-General and Vice-Minister of Foreign Trade and Economic Cooperation – looked forward to the opportunity that it would provide for senior businessmen from Taiwan, Hong Kong and China to exchange views. BFA was founded in 2001 as a "non-govern-

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mental, non-profit, regular and open international forum with a fixed venue" that would help promote high-level dialogue on regional issues, including economic, social and environmental development (Taiwan, CNA, 23 April).

Addressing the BFA opening session (24 April), Hu Jintao spoke of China's plan to quadruple its 2000 GDP to US$4 trillion and attain an average per capita GDP of US$3,000 by the year 2020. Adhering to Deng Xiaoping Theory and the important thoughts of "three represents" were central to the successful fulfilment of these goals, as was the need to grasp a "people-oriented, comprehensive, co-ordinated and sustainable" development concept. He called for the establishment of new forms of security relations and co-operation, based on "non-alignment, non-confrontation, and non-targeting at any third party," to which end China would strengthen its co-operation and dialogue with other Asian countries in order to combat regional terrorism and transnational crimes, and enhance maritime security, and non-proliferation (XHNA, 24 April).

The BFA forum concluded on 25 April.

On 21 June, the foreign affairs ministers of China and 10 ASEAN member states held an unofficial meeting in Qingdao (Shandong province). The meeting was chaired by Li Zhaoxing and Hor Namhong (Foreign Minister of Cambodia). Participants exchanged views on regional and international issues, and agreed that regular consultations should take place among ASEAN and Chinese representatives to the United Nations. There was agreement that the UN should take the leading role in post-war reconstruction in Iraq, and that support should be given to ongoing efforts to denuclearize the Korean Peninsula. For the longer term, it was also agreed that efforts would be made to establish an "East Asian Community," as the focus of East Asian co-operation.

The foreign ministers agreed to formulate an "Action Plan for Promoting Sino-ASEAN Strategic Partnership" as a means of fulfilling the "Joint Sino-ASEAN Declaration on Strategic Partnership for Peace and Prosperity" (October 2003) – the Plan to be ratified at the meeting of Chinese and ASEAN leaders scheduled to take place in Laos in November 2004. They also looked forward to putting in place a comprehensive framework in which China and ASEAN could co-operate in key areas, including agriculture, mutual investment, information telecommunication technology, human resources, and the development of the Mekong River. They also committed themselves to setting up a China-ASEAN free trade zone (XHNA, 21 June).

On 22 June, Wen Jiabao addressed the opening ceremony of the third foreign ministerial meeting of the Asia Cooperation Dialogue (ACD) in Qingdao (text in XHNA, 22 June). He emphasized the importance of the meeting, which would seek further to clarify the "principles, content, and methods of Asian co-operation," issue an "Asia Cooperation Declaration" and consider energy security in Asia. He spoke of the great opportunity that presented itself for closer co-operation and accelerated development in Asia, but also warned of the difficulties and challenges which the region faced. Against this background, he put forward the following five

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guidelines for closer co-operation: to adhere to the five principles of peaceful co-existence in order to safeguard regional peace and stability; to make economic co-operation and trade the centre points of co-operation within Asia; to use existing channels of multilateral co-operation as the basis on which to enhance the mechanisms of Asian co-operation; to intensify "people-to-people" exchanges among Asian countries in the interests of better mutual understanding, trust, and friendship; and to be "consistently open, tolerant, and all-encompassing."

Following their discussions, ACD representatives endorsed a seven-point plan, embracing joint energy resource pricing, exploration and exploitation, and calling for continued dialogue on fuelling a continent that was expected to face increasingly serious oil shortages in the coming 15 years.

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