Quarterly Chronicle and Documentation

(April–June 2002)

Sources

The principal sources of information on which this chronicle is based are British Broadcasting Corporation, *Monitoring Global Newsline – Asia-Pacific Political* and British Broadcasting Corporation, *Monitoring Global Newsline – Asia-Pacific Economic*. These sources are only available online and replace the former BBC *Summary of World Broadcasts* (*SWB*), which were previously available in hard copy. The current online versions no longer have reference numbers (as did each issue of *SWB*), 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 for the original sources from which the BBC reports themselves are taken.

Abbreviations

XHNA —Xinhua (New China) News Agency
CNA —Central News Agency (Taipei)
ZTS —*Zhongguo tongxun she* (*China Reporting Agency*), Hong Kong
ZXS —*Zhongguo xinwen she* (*China News Agency*), Beijing
RMRB —*Renmin ribao* (*People's Daily*)

1. Internal Developments

(a) *The 27th and 28th Session of the Ninth National People's Congress (NPC) Standing Committee*
(b) *Party and Political Affairs; Public Order*
(c) *Economic Affairs*
(d) *Military Affairs*
(e) *Hong Kong Special Administrative Region (HKSAR)*

2. Foreign Relations

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

1. Internal Developments

(a) *The 27th and 28th Session of the Ninth NPC Standing Committee*

The 27th session of the NPC Standing Committee was held in Beijing from 24 to 28 April. Legislation considered under the agenda included the revised draft Import and Export Commodities Inspection Law, the draft Cultural Relics Protection Law, the draft Small and Medium-Sized Enterprises Promotion Law and the revised draft Water Law. Also

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discussed were draft explanations of Articles 294 and 384 of the Criminal Law, the draft plan for the allocation of the numbers of minority nationality deputies to the Tenth NPC, and the draft plan for the election by consultation of Taiwan deputies to the Tenth NPC. Delegates additionally examined the draft Science and Technology Popularization Law, the draft Clean Production Promotion Law and the optional protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography.

Li Changjiang (Director of the State Administration of Quality Supervision and Quarantine) presented a report on the Law on Import and Export Commodity Inspections. He explained that the prosposed amendments were designed to put in place a uniform national certification system for all imports and exports in order to accommodate WTO rules. The amendments, to take effect as of 1 October, were duly ratified by NPC delegates.

Out of the discussions of the draft revision of the Water Law emerged a strong view that efforts must be made to reverse the "the long-existing situation … in which investments in constructing water control projects have been completely made by the state and the lack of funds have prevented construction of water control projects from being carried out, resulting in a waste of large amounts of water." There was condemnation too of tendencies to take water from the "big water pot" causing serious wastage of the precious resource. Even allowing for the positive role played by the existing Water Law in improving water management and use, it was acknowledged that economic development, urbanization and improved living standards had all exacerbated the water problem. Hence, the need for the draft revision of the law. There was a consensus that the draft revisions were sensible and should be implemented as soon as possible in order to ensure a more rational use of water resources (XHNA, 27 April).

The Standing Committee session also endorsed two explanations on two articles of the Criminal Code on organized crime and the embezzlement of public property for personal gains, which, it was hoped, would establish a firmer foundation for the punishment of such crimes, as well as give added impetus to China's campaign against corruption. It was also revealed that three NPC deputies, who had been recalled as a result of their suspected involvement in economic crimes, had been expelled from the NPC (XHNA, 28 April).

In his closing speech to the 27th session, Li Peng (Chairman of the NPC and its Standing Committee) endorsed the importance of the decisions taken by the Standing Committee and called on delegates to strengthen the NPC's legislative work further. He also urged an improvement in the Committee's foreign affairs work, as well as advocating that even greater attention should be paid to the "vital interests of the masses." He acknowledged the economic and welfare progress made in China since 1978, but drew attention to the emergence of "new problems and contradictions." It was incumbent, he said, on people's congresses at all levels to address such problems. In short,

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people's congresses must concern their work to the wellbeing of the masses, reflect effectively the aspirations of the masses, and represent their interests. In particular, people's congresses should show concern for the interests of groups of people in special needs. It is our hopes that through the Standing Committee's listening of work reports and inspection of law enforcement this year, governments at different levels and various circles of society will work concertedly in paying close attention to the vital interests of the masses and exert still greater efforts to solve difficult problems for them (XHNA, 28 April).

The 28th NPC Standing Committee opened on 24 June. It addressed 15 draft laws and resolutions, including legislation on government procurement, work safety, the promotion of non-governmental educational institutions, and the opening up of the country's insurance market.

The draft law on government procurement unprecedentedly stipulated that procurement documents must be kept for at least 15 years in order to subject procurement to public scrutiny and, in the words of Zhang Xuwu (Vice-Chairman of the NPC Law Committee), to "bring about an open, just and fair framework for government procurement activities and prevent corruption." The existing government procurement mechanism had been introduced in 1995, with the Chinese government's procurements reaching 65.3 billion *yuan* in 2000 (XHNA, 24 June). The Government Procurement Law was subsequently duly adopted.

An explanation of draft amendments to the 1993 Agricultural Law argued that greater emphasis should be placed on food security, and the safety and protection of farmers' interests. To these ends, proposed new legislation would provide for special state support to be made available to food producing areas through the introduction of "appropriate policies, financing and appropriate technology." The draft also called for the establishment of mandatory quality standards and inspection and testing systems in order to protect consumers and the environment (*ibid.*).

Wang Jialiu (Vice-Chairperson of the NPC's Education, Science, Culture and Public Health Committee) introduced a legislative proposal, which would give non-governmental educational institutions the same preferential policies in taxation, financial loans, land purchase and school renovations as public schools. The new law also specified that teachers and students of such institutions should enjoy the same legal status, rights and treatment as their counterparts in government-funded schools. In addition, it provided for owners of non-governmental schools to make a "reasonable" profit (*ibid.*).

Also at the 28th session, the draft Law on Work Safety was submitted for its third review. It was pointed out that fatal accidents related to work safety had become the single most important cause of workers' accidental deaths. Hence, the importance of legislation that sought to improve work safety, offer better training for work staff, and provide for the pursuit of legal liabilities associated with the use of out-dated and dangerous techniques or equipment.

On 26 June, delegates received reports, presented by Xiang Huaicheng (Minister of Finance), on the 2001 final central accounts and the implementation of the 2001 central budget, as well as on the auditing of

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other financial revenues and expenditures. According to Xiang's report, both central and local budgets for 2001 had been implemented "fairly satisfactorily." Central expenditures had exceeded revenue to the extent of generating a deficit of 259.627 billion *yuan*. The report noted further that:

> [t]he central fiscal revenue exceeded the budgetary target by a fairly big margin, providing an effective guarantee to expenditures in such key areas as social security, agriculture, and science and education. Reform of departmental budgets, reform of the system of financial and state treasure management, reform of government procurement, and reform of taxes and fees in rural areas have continued to deepen and progressed smoothly. Nonetheless, there still exists a number of urgent problems waiting to be solved.

The 28th session of the NPC Standing Committee closed on 28 June.

(b) *Party and Political Affairs; Public Order*

Xinhua (21 April) reported that Jiang Zemin had written a preface to a collection of teaching materials compiled by relevant departments under the CCP's Central Organization Department and designed to enhance cadre training. In the preface he stressed the role of theoretical knowledge and the need to apply such knowledge to China's current development requirements and the international situation.

Jiang pointed out that the Party had always addressed every "major turning point in China's revolution, construction, and reform" by stressing the importance to cadres of study and education. So, once again, it was essential to enhance such theoretical training and application at the "present critical moment when China is faced with new situations and new tasks." To this end, Jiang called on the CCP to "improve the overall theoretical qualities, the knowledge level, the professional expertise, and the leadership ability of its leading cadres at all levels."

Jiang's advocacy of theoretical study by cadres was unequivocal:

> the issue of strengthening studies among the whole Party, especially among leading cadres, has become more important and more urgent than it used to be at any time in the past. Comrades in the whole party should consciously persevere in, step up, and improve theoretical studies; and should see to it that they need to study, study, and study again, and practise, practise, and practise again … I have stressed on many occasions that studies are a comprehensive and systematic process. In this process, the study of Marxism-Leninism, Mao Zedong Thought, and Deng Xiaoping Theory makes up a most fundamental part. Marxist theoretical attainments serve as the core of the quality of leading cadres. In our studies of Marxist theories, we should lay stress on mastering their basic ideas, basic viewpoints, and basic methods from an overall perspective; and should make intensive studies and gain a thoroughgoing understanding in close connection with realistic conditions, so that we can enhance our principled stand, systematicalness, predictability, and creativity in work and can ensure a better implementation of the Party's theories, line, principles, and policies.

He made it clear, however, that the prime purpose of such study lay in its *application.* Thus:

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[t]he sole purpose of our study is application. Therefore, we should closely link our studies with the new changes in the present international situation, with the new progress that has been made in our country's reform, opening up, and modernization building, and with the new situations that are currently facing the Party building; and should lay special stress on the study of major issues that have an overall, strategic, and leading significance, and should constantly improve our capabilities of solving practical issues as well as our ability to do our job well.

The teaching materials themselves, published in 12 volumes, were comprehensive, addressing political theory, market economics, business and public sector administration, the legal system, science and technology, history, literature, art, and the spoken and written language. They were expected to be used as basic teaching material by Party and cadre schools as well as large and medium-scale enterprises, the main group of targeted readers being cadres at or above the county or department level. They would be used in conjunction with the study of "the works of Marxist classic writers, with the study and practice of Deng Xiaoping Theory and the important concept of 'three representations.' " A circular issued by the Organization and Publicity Departments of the CCP Central Committee welcomed Jiang's preface as a summary of "the historical experience of our Party in attaching importance to study" and described it as "of great guiding importance for promoting study among large numbers of cadres and building a contingent of high-quality cadres."

Adressing a graduation ceremony at the Central Party School (31 May), Jiang Zemin reiterated the priority, against the background of rising material living standards, of maintaining efforts to build "socialism with Chinese characteristics." Once more, Jiang highlighted the central importance of following the 'three representations' in the interests of "[maintaining] the Party's progressive nature and … working for the interests of the people as the ruling party." Further,

[t]o keep the cause of the Party and the state going, we must, first of all, not stop in our theoretical studies. While it is wrong and harmful to reject Marxism's scientific nature and discard our legacy, treating Marxism as a dogma is also harmful and wrong. We must adapt to the development of the real situation, examine everything in practice, and use the developing Marxism to guide our new practices (XHNA, 31 May; see also *RMRB*, 14 June).

A Xinhua commentary (10 May) noted that the campaign of studying and implementing the 'three representations' – on the pre-eminent modernizing role of the CCP in representing advanced production forces, advanced Chinese culture, and the basic interests of the population – was well under way throughout China. It reaffirmed the importance of scientific theory in offering an objective basis from which to understand the world and in guiding people in their efforts to transform that world and find solutions to practical problems. Hence, the need for senior cadres to implement and apply the 'three representations' in their efforts to resolve such problems.

The commentary acknowledged "fairly predominant" problems faced by China. These included: production difficulties in some enterprises and

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associated welfare problems for their employees; the slow growth of farmers' incomes; increasing employment pressures; structural irrationalities within the economy and the need for rectification of market order; poor public order and safety deficiencies in production; and a tendency to "[promote] the building of a material civilization to the neglect of the building of a spiritual civilization." The workstyle of some Party and government officials also left much to be desired, as shown by the persistence of "dogmatism, book worship, formalism, bureaucratism, and such malpractices as resorting to deception, submitting false and exaggerated work reports to higher authorities, abusing power for personal gains, and indulging in the life of pleasure and personal gains."

In addressing such deep-seated malaise, it was essential to "concretize every problem and find out, by using the requirements of the 'three representations' as the yardstick, the specific problems that are existing with our own localities, departments, and units as well as with leading cadres themselves." The resolution of practical difficulties similarly demanded achieving "a unity between study and application," rather than a one-sided emphasis on practical approaches to the neglect of study. Accordingly,

> [t]o successfully resolve problems, we need to master the necessary skills and capabilities; and the prerequisite for successfully resolving problems in accordance with the requirements of the 'three representations' is to thoroughly master the important thinking of 'three representations.' If we fail to master the scientific connotation or the spiritual essence of the importance thinking of 'three representations,' how can we possibly apply the thinking to our practical work? … [I]f we know nothing about the theory, we will not be able to integrate it with the reality, let alone apply scientific theories to practical problems. Even if we seem to be able to settle one problem or two, we still may easily deviate in our work. At the same time, we must also avoid and guard against another deviation, that is, the deviation of studying theories without applying them to practice, making all talk but no deed, and indulging in empty talk. This is an expression of formalism, and also a predominant problem strongly resented by the masses in many localities. The sole purpose of our study is application. Therefore, we should be as good at translating the results of our studies into a better ability of ours in resolving practical problems, and should be good at fitting the results of our studies into the process of settling practical problems. Only in this way can we ensure an organic unity among the study, propagation, and implementation of the 'three representations.'

A joint conference of the Central Commission for Comprehensive Management of Public Order, Central Discipline Inspection Commission, Central Organization Department, Ministry of Personnel, and Ministry of Supervision (24 May) reviewed the state of public order in China during the first quarter of 2002. It noted that thanks to intensified anti-crime measures, the rise in the number of criminal cases had fallen by 56.6 per cent – the lowest quarterly rate of growth in recent years (*RMRB*, 26 May; on the state of public order, see also the comments of Luo Gan, XHNA, 30 May).

An article in Hong Kong's *South China Morning Post* (17 June) noted that in the wake of tax reforms implemented in 1994, township and

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village cadres' salaries, as well as funding for grassroots education and rural infrastructure, had become increasingly dependent on payments – often illegal or, at best, semi-legal – collected from farmers. Because of the difficulties and even dangers associated with collecting such payments, rural officials were often reliant on "local gangsters" and triad members to obtain the taxes and fees, or to confiscate farmers' land needed by entrepreneurs. In return, township governments rewarded the gangsters with free land contracts or provided them or their relatives with government jobs. The article went on,

> [t]he mutual reliance between rural governments and triads has not only jeopardized law and order in the countryside, but made village elections more vulnerable to manipulation by officials and local gangs, experts say. The penetration of local gangsters into the rank and file of local governments has also eroded the legitimacy of grassroots governments in the eyes of villagers and aggravated the tension between cadres and villagers … [V]illagers sometimes accepted local gangsters as their chiefs since they felt the need to have powerful men to protect their interests.

Statistics issued by the Organization Department of the CCP Central Committee (12 June) noted that in contrast to 1949, when most Party members were farmers and workers with, at best, a limited education, most CCP leading officials were now well-educated and "even experts in respective fields." As of the end of 2000, 88 per cent of Chinese officials from county level to top ranks had received a college education (*cf.* 16.4 per cent in 1981), and 6.4 per cent of them had attained a masters degree (XHNA, 12 June).

On 19 June, Zhu Rongji stated that China had basically completed the reform of its government institutions in accordance with calls made at the last (15th) CCP Congress. He revealed that in the previous five years, the State Council had reduced its subordinate ministries from 40 to 29, cutting the government payroll by half. At the same time, staff working in provincial-level government departments had been cut by half, while those working at county and township-level departments had fallen by 20 per cent. Overall, the number of government functionaries had contracted by 1.15 million.

(c) *Economic Affairs*

A well-known Chinese economist, Wu Jinglian, argued that China faced six major economic problems, the origins of which lay in developments that had taken place in the previous century. They were: deficiencies in the growth of medium and small-scale enterprises in western China; inadequate adjustment of the state-owned economy due to the halting progress of state-owned enterprise (SOE) reform; the existence of massive surplus rural labour, still to be transferred to alternative uses; the wide economic imbalance that persisted between coastal and interior (central and western) China; the pervasiveness of administrative interference in enterprise micromanagement; and the

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failure, to date, to inculcate a proper understanding of the supremacy of law.

In the face of such deep-rooted problems, said Wu, it was essential to take remedial action. Such measures should include shifting emphasis from increasing financial investment to using financial resources to promote taxation and fee reforms (e.g. converting fees to tax, equalizing enterprises' tax burdens, and introducing business income tax-reduction or tax-exemption policies vis-à-vis the financial sector). Wu also called for the elimination of discrimination against developing "citizen-run" enterprises. It was important too to facilitate the transformation of state-owned commercial banks into joint-stock institutions, and to reduce red tape in order to expedite decision-making, monitoring and planning. Not least, the establishment of a "just and transparent legal system" was an essential condition of a properly functioning economic system (Hong Kong, XHNA, 24 May).

Xinhua reported (1 April) that construction of a deep-water harbour, close to the mouth of the Chang (Yangtze) River and crucial to a plan to transform Shanghai into a leading international shipping centre, was expected to begin soon. Sited in Shengsi county (Zhejiang) the completed harbour would be able to accommodate 50 or more fifth and sixth-generation containers. Its projected annual container handling capacity of 22m TEUs would increase Shanghai's container-handling capacity from 5.61 million TEUs (2000) to ten million TEUs (2005).

It was reported that in an attempt to reduce the number of deaths and major accidents in the coal industry, China would close a further 30 per cent of existing small-scale coal mines in 2002, bringing the total number down to 15,000. The announcement was made against the background of a 13 per cent increase in deaths in coal mining accidents during the first quarter of the year. The closures would also further assist in combating a serious excess supply of coal (see also *ZXS*, 8 April).

A report in Hong Kong's *South China Morning Post* (12 April) reported that State Council approval had been given to plans to reform the power industry by splitting electricity generation from distribution, and restructuring power generation and distribution assets. The overall aim of the reforms was to eliminate monopoly powers and improve industry competitiveness, thereby "liberalizing a neat and healthy electricity market." State Power, which owns around half of China's 300,000 MW of installed capacity, would reorganize its assets into two sectors: power generation and power distribution. Subsequently, power generation assets would be restructured and held through three or four national independent power producers (IPPs), including Huaneng Group (currently, China's biggest state-owned IPP). For purposes of industrial regulation, a State Power regulatory committee was also to be established.

Tian Fengshan (Minister of Land and Resources) insisted that, slowing growth in oil production notwithstanding, there remained great untapped potential in exploiting oil and gas reserves (XHNA, 18 April). Addressing a national symposium on the selection of strategic regions of oil and gas resources – the first such meeting to take place in China – Tian noted that

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China possessed over 500 oil-rich basins, of which some 150 had been professionally assessed. The most recently available statistics suggested that China's total petroleum resource totalled 110 billion tons, while the total volume of natural gas was about 53 trillion cubic metres. But he also pointed out that less than 30 per cent of land oil and a mere 6 per cent of natural gas resources – both well below the world average – had been explored (especially in central and western regions). In addition, exploration of offshore oil remained in its infancy.

Tian warned, however, that in the absence of intensified exploration, China would become increasingly dependent on imports, with all the attendant risks that this implied. He noted that during the previous ten years, China's crude oil consumption had grown annually by almost 6 per cent, while domestic oil supplies had risen by under 2 per cent p.a. Total oil consumption in 2001 was more than 200 million tons – a figure only exceeded by the United States and Japan – and was expected to reach 300 million tons by 2010. In 2001, net oil imports were over 65 million tons, or 30 per cent of aggregate demand. Tian also noted that China's average per capita annual consumption of oil and natural gas – 1.3 barrels of oil and 18 cubic meters of natural gas – was well below the corresponding global figures.

Meanwhile, Chinese oil experts expressed concern that despite increased dependence on imported hydrocarbon resources to sustain its economic development, China still lacked a national oil and gas strategy. There was a strong feeling that central and local authorities should seek to reach a consensus on key issues, such as how to exploit domestic oil and gas resources, and diversify import sources (XHNA, 29 May).

It was announced that the Chinese government was intensifying its efforts to establish national social security arrangements, embracing a pension system, unemployment insurance and medical care. To this end, some 110 billion *yuan* had been allocated during the previous three years in order to guarantee the payment of pensions and subsidies for laid-off workers from SOEs. To date, over 100 million people were covered by unemployment insurance funds, valued at more than 20 billion *yuan*, although a mere 3.5 million people currently drew payments. Local governments too were intensifying their efforts to help laid-off workers find new jobs. In 2001, over six million people secured jobs, including 1.5 million laid-off workers. Also in 2001, 91 per cent of prefectures and cities were reported to have launched medical reforms, involving over 61 million people. The number of people expected to benefit from medicare reforms in 2002 was put at 85 million (XHNA, 6 April). (For the full text of an important 'White Paper' on labour and social security in China, see XHNA, 29 April.)

Elsewhere, in a March report only subsequently made available by Xinhua, the point was made strongly that firm social security was integral to employees' interests and to national economic development and social stability. Social security arrangements, based on endowment, medical and business insurance, were quite well advanced in cities and towns, although funding shortages still posed a problem, especially in the face of

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an ageing population and large-scale unemployment. In the countryside, farmers' social security problems were particularly difficult, not least against a background of falling wages; nor was the situation a great deal better for the 78 million peasants "labouring in the cities." Meanwhile, China's entry into the WTO was likely to prove a "double-edged sword" in the sense of simultaneously creating and destroying jobs. Hence, the need to intensify the formulation of social security legislation, including measures to administer social security funds.

An authoritative source admitted that farmers' difficulties in securing loans – agricultural loans from rural credit co-operatives in 2001 were said to be only about half of those obtained in 2000 – had become a serious obstacle to raising farm incomes. Slowing growth of farm incomes was said to be the "chief contradiction" facing rural development, with income in some grain-producing areas even recording *negative* growth. Despite remedial measures, about 20 per cent of villages in some major grain-producing counties were described as "zero-loan villages," in addition to which a shortfall of at least 40 per cent in loanable funds for agriculture had emerged in Shandong province and a mere 1 per cent of loans for agricultural restructuring in Henan had been "firmed up" in 2001. The main source of such problems was seen not to be a shortage of money, but rather that as much as 60–70 per cent of rural funds were being directed to towns and non-agricultural activities. Hence, comments by farmers to the effect that banks "support industry, not agriculture, and support the rich, not the poor" (XHNA, 17 April).

A report by the Ministry of Civil Affairs, made available by Xinhua on 12 June, stated that by 30 June, the basic living subsidy would be made available to all those urban residents entitled to receive it (i.e. those in receipt of an income below 152 *yuan* per month). The report revealed that 13.93 million needy urban dwellers had already received their subsidieis, but that a further 5.45 million were still unpaid. It also noted that Jilin and Hunan each contained 500,000 people or more who qualified for, but were not in receipt of, the subsidy payment. Provinces where the corresponding number of people was between 300,000 and 500,000 were Inner Mongolia, Heilongjiang, Liaoning, Hubei, Henan and Jiangxi; those where it was 100,000–300,000 were Gansu, Sichuan, Yunnan, Anhui, Shandong and Hebei.

There was further emphasis on the role of the *private* sector in the national economy. It was revealed that 33 per cent of China's GDP now derived from private economic activities, compared with 37 per cent from the state-owned sector (the other 30 per cent originated in agriculture, the collective economy and the foreign-invested sector). Since the early 1980s, the private sector had grown by 20 per cent p.a., compared with annual national GDP growth of 9.5 per cent. As of 2000, some 1.76 million private enterprises had been officially registered, with a total capitalization of 1.33 trillion *yuan* and a workforce of over 20 million. Meanwhile, in October 2001, the central government had rescinded regulations limiting the development of private enterprises, and accorded them equal treatment with state-owned and collective enterprises in terms

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of market access, land use, bank loans, taxation, and import and export (XHNA, 7 April). In Shanghai alone, private enterprises had come to account for more than half of the city's enterprises, their registered capital being valued at more than 200 billion *yuan* – the third-highest among Chinese provinces (see XHNA, 24 April).

Vice-Premier Wen Jiabao made the case for accelerated growth of the service sector in order to expand employment in China (XHNA, 24 April). Between 1979 and 2000, the tertiary sector's share of GDP had risen sharply from 21.4 to 33.2 per cent. Wen reaffirmed the need to boost domestic demand as a "long-term strategic principle," reflecting the importance of rising consumption – especially of services, such as education, medical care, tourism, housing, transport and telecommunications. Implied in such projected changes in consumption was further economic restructuring, which would take the service sector's share of GDP to 36 per cent by 2005. To this general end, Wen Jiabao prioritized the following tasks:

- to facilitate service sector development in order to maximize employment opportunities (under the Tenth Plan, employment in services would rise by more than 4 per cent p.a., thereby raising the sector's share of the total workforce from 27.5 per cent (2000) to 33 per cent (2005));
- to absorb surplus rural labour through the development of the tertiary sector ("we should combine the work of speeding up the development of service industries with the task of actively and steadily pushing forward the process of urbanization; and while guiding township and town enterprises to converge in a rational manner in small cities and towns, lay stress on promoting the development of service industries in small cities and towns");
- to implement flexible ownership forms among service activities, including the establishment of private and individually run enterprises.

An article in *People's Daily* drew attention to the inevitability of further job losses as a result of continuing SOE reforms. As the concept of guaranteed lifetime employment lost its cedibility, so the idea that "self-employment is inferior" should also change. Thus,

> [w]ith the reforms of housing, pension and medical insurance, SOE employees are increasingly becoming equal to self-employees. Concepts arising from the old economic system should be eliminated with the nullification of this system. In addition, we should understand that the historical merit of the socialist market economy is to provide people with the opportunity to find jobs that we can choose in line with our wishes, expertise, interests and talent.

Similarly, the idea that "[r]e-employment means assigning to a new job" should give way to the realization that personal initiative in finding new jobs is more important. Such initiative did not imply the abrogation of a role for the Party and government. On the contrary:

> Party committees and governments at all levels and all social sectors should provide

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assistance in a more meticulous and enthusiastic manner, adopt every measure possible for creating an excellent environment for employment, do a good job in getting re-employed and guide those who have been laid off or are unemployed to create new jobs in a confident manner and run along the road towards a beautiful life in a hopeful manner (*RMRB*, 31 May; and see XHNA, 2 June).

The serious problem of water shortages continued to attract attention during the quarter. One authoritative source predicted that per capita water resources would fall to 1,760 cubic metres in 2030 – a mere 3.5 per cent above the internationally recognized benchmark for water shortages. The uneven distribution of water was at the heart of China's problems: the areas south of the Chang (Yangtze) River, accounting for just 36.5 per cent of China's total surface area, contained 80.9 per cent of total water supplies. By contrast, regions to the north possessed a mere 19.1 per cent of those resources. Even more alarming were statistics that showed that the combined area of the three valleys of the Huang (Yellow), Haihe and Huaihe rivers accounted for 39 per cent of China's total arable area, 35 per cent of its population and 32 per cent of its GDP – and yet had a mere 7.7 per cent of national water resources. Most dramatic of all, per capita water supplies in these three river valleys were just 500 cubic metres (XHNA, 6 June; see also *ibid.* for a report that China's largest saltwater lake – in Qinghai province – had seriously contracted as a result of reduced water inflows).

Xiang Huaicheng (Minister of Finance) spoke of the positive impact of China's proactive fiscal policy since its implementation. He suggested that in the four successive years since 1998, the policy had raised GDP growth by 1.5, 2.0, 1.7, and 1.8 percentage points. He acknowledged, however, that the cost of accelerated growth had been a rise in both overall debt and the fiscal deficit – respectively, to 16.7 and 2.7 per cent of GDP (*ZXS*, 16 April).

On 19 June, the Ministry of Finance announced that 26 billion *yuan* of treasury bonds would be issued during 20–24 June. The three-year bonds would have an annual interest rate of 1.9 per cent and would be made available to institute investors.

Addressing the seminar of the 35th annual meeting of the Board of Governors of the Asian Development Bank (Shanghai, 9 May), the Chinese Finance Minister, Xiang Huaicheng, insisted that the Chinese government would maintain the thrust of its fiscal policy unchanged. He revealed that in 2002, the central government would issue a further 150 billion *yuan* of long-term construction bonds, which would be used for treasury bond-financed projects, "go west" projects and the technical upgrading of key enterprises. He noted that during the last four years, China had issued a cumulative total of 510 billion *yuan* of long-term construction bonds.

A report on China's employment situation referred to the success of recent policies designed to help with the re-employment of laid-off workers (*RMRB*, website, 29 April). It revealed that between 1998 and 2000, 13 million laid-off workers had taken part in government re-employment training and that 60 per cent of these had found new jobs

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within half a year of such training. The report acknowledged the current difficult situation. Thus,

> there were 5 million laid-off workers last year, 6.8 million registered as the unemployed, and 150 billion surplus labours in rural areas need to transfer. However, only 8 million posts have been created every year based on China's current economic rise and employment growth.

A 'Green Paper' on population and labour published in Beijing in May, predicted that as a result of China's accession to the WTO, domestic urban unemployment would rise by some 3–4 million, pushing up the unemployment rate by about 2 per cent, even though long-term job opportunities were expected to rise. The short-term effects were thought to be most serious for agriculture, with farm jobs falling by about ten million. By contrast, in the long run, the effects would be much more favourable, as "the adjustment and upgrading of the industrial structure will have a positive impact on increasing job opportunities and raising the quality of jobs. Labour-intensive industries, tertiary industries, and small enterprises will acquire further development, which will thus increase employment flexibility" (*ZXS*, 23 May).

A Xinhua report revealed that in 2001, Guangdong province – excluding Shenzhen Special Economic Zone – received some 19.5 billion *yuan* in insurance premium revenue (about 10 per cent of the national total). Of this, 7.5 billion *yuan* constituted payment against potential property risks, while the remaining 12 billion *yuan* were for life and accident cover. Guangdong is home to 14 insurance companies and 708 insurance company branches; the provincial workforce associated with insurance business numbers 64,000. In addition, 19 overseas insurance companies have opened representative offices in the provincial capital, Guangzhou (XHNA, 10 April; for data on foreign investment flows into Shenzhen city, see XHNA, 12 April).

It was reported that in the next decade Shenzhen would build seven satellite cities beyond the "second border" separating the special economic zone (SEZ) from the rest of the city. Each city would be constructed around an existing town(s) and would accommodate up to half a million residents, thereby easing the population pressure on the SEZ and establishing new centres of industrial production. Ultimately, Shenzhen would become a major metropolis with a total population of up to ten million – more than double its current size. The Mayor of Shenzhen (Yu Youjin) hoped that each satellite city and its district would eventually generate an annual GDP of 10 billion *yuan*, and contribute revenue of one billion *yuan* (Hong Kong, *i-mail*, 23 April).

Statistics issued in April by the China State Administration of Foreign Exchange (SAFE) revealed that as of 31 December 2001, China's outstanding foreign debt was US$170.11 billion – that is, the same level as a year previously. Medium and long-term debt accounted for 70.3 per cent (US$119.53 billion) of the total; short-term debt was US$50.58 billion, or 29.7 per cent of the total. Some US$148.5 billion constituted

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registered debt, while US$21.61 billion were in the form of trade credit (XHNA, 22 April).

It was revealed that western China had become a major destination for foreign investment. In 2001, western regions had attracted over US$4.4 billion of contractual FDI (US$1.924 billion in utilized terms) – increases in both cases of more than 15 per cent, compared with national rises of 10.4 per cent (contractual) and 14.9 per cent (utilized). More than 60 of the world's top 500 corporations had already invested in western China, the chief targets for foreign investment being Shaanxi, Sichuan, and Chongqing municipality. Most overseas capital was invested in machinery and equipment manufacturing, electronic information, environmental protection, construction of infrastructure facilities, bio-medicine, textiles, high-tech and information industries (XHNA, 9 April).

In April, it was announced that the second state-level high-tech industrial development zone would be established in Shaanxi province – the 'Silicon Valley' of western China. (The first such zone was set up in Jiangsu in the early 1990s.) The new zone was expected to promote accelerated scientific and economic development in the western region of the country.

Statistics meanwhile showed that western China's GDP reached 1.2 trillion *yuan* during January–September 2001 – 1.1 per cent above the national average and 8.7 per cent more than in the same period of 2000. Cumulative investment by the central government under the umbrella of the "go west" campaign had already totalled over 400 billion *yuan*, the main destinations being road, rail and airport construction projects, the provision of drinking water, and the establishment of high-tech zones and information technology industries. Investment growth was said to be far higher than in central and coastal provinces. In the coming decade, the government would invest a further 700–800 billion *yuan* in order to build 350,000 km of highways in the region.

The Boao Forum for Asia, based in China and launched against the background of accelerated economic globalization and rapidly growing regional economic co-operation, held its first annual meeting on 12–13 April in Boao (Hainan). The Japanese, South Korean and Thai prime ministers (Junichiro Koizumi, Lee Han-dong and Thaksin Shinawatra) all participated in the meeting, as well as holding separate talks with Zhu Rongji. The Vietnamese Deputy Prime Minister (Nguyen Manh Cam), and the Chief Executives of Hong Kong and Macau Special Administrative Region (Tung Chee Hwa and Edmund Ho Hau Wah) also attended. Overall, 48 countries and regions were represented at the forum by some 2,000 people. On the agenda were issues related to regional co-operation, economic and industrial developments, and discussion of how to maintain regional benefits and improve the competitiveness of Asian countries.

In his keynote address to the Boao Forum, Premier Zhu Rongji said that recent years had witnessed a "growing awareness of regional co-operation featuring greater tolerance, equality and gradual progress in Asia," exemplified by progress made by regional bodies, such as the Asia-Pacific Economic Co-operation (APEC), the Shanghai Co-operation

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Organization, and the Association of South-East Asian Nations (ASEAN). He re-stated the view that economic development was the primary task facing Asian countries, urging them to "take economic co-operation as the key focus and develop all-round co-operation in a step-by-step fashion." Within this framework, he suggested that trade, communications, agriculture, information and energy should be made initial priority areas of co-operation, to which China's own on-going reforms would give an added impetus – especially after its accession to the WTO (XHNA, 12 April).

Dai Xianglong, Governor of the People's Bank of China (PBOC), also addressed the forum and called for greater efforts to establish a regional monetary co-operative mechanism in order to anticipate and avoid the effects of international financial speculation. In particular, Dai made a four-point proposal for financial co-operation in Asia, involving:

- further opening and liberalizing financial services and extending greater support to trade development within the region;
- further developing and co-ordinating the major Asian financial markets in Tokyo, Hong Kong and Singapore;
- strengthening co-operation among the Asian central banks;
- extending co-operation among the financial supervisory authorities throughout Asia in order to prevent and dampen financial crises.

Dai cited WTO statistics to the effect that *intra-regional* export trade accounted for 49 per cent (in excess of US$800 billion) of the total value of Asia's export trade. He also pointed out that at the end of 2001, the foreign exchange reserves of 12 Asian countries and regions exceeded US$1.12 trillion dollars, or almost 60 per cent of global foreign exchange reserves (*ZXS*, 15 April).

Jiang Zemin addressed regional and global issues, when he spoke at the opening session of the 35th Annual Meeting of the Board of Governors of the Asian Development Bank (Shanghai, 10 May). He argued that despite moves towards globalization and multipolarization, the "unfair and inequitable old international political and economic order" had remained basically unchanged. In trying to transform and improve such conditions, Jiang called for initiatives that would "vigorously push for a multipolar world and democratized international relations … establish a new international economic order that suits the development levels and requirements of all countries … [and] fully respect the diversity in human civilizations." Subsequently, the main foci of the ADB seminar deliberations were to explore ways of sustaining Asia's economic recovery and rebuild Afghanistan.

The 35th ADB gubernatorial meeting ended on 12 May, after approving the bank's strategy for poverty reduction, reorganization and a series of work reports. Participants at the meeting also exchanged views on major regional problems and discussed how regional co-operation could be strengthened. Problems associated with environmental degradation, the role of private businesses in economic development, and poverty

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reduction were also addressed at the meeting. The 36th ADB annual meeting will be held in Istanbul, Turkey.

During the ADB meeting, the ministers of finance of China, Japan and South Korea held an informal meeting, at which they exchanged views on strengthening financial co-operation.

It was reported that information technology had become China's most important source of industrial exports, accounting for US$65 billion in 2001 (24 per cent of the national total). The Vice-Minister of Information Industry, Gou Zhongwen, noted that China, with its 190 million fixed telephone lines and 160 million mobile phone links, had the largest and one of the most advanced telephone networks in the world. He added that "the development of the information technology industry had not only contributed to China's economic growth, but strongly supported the informatization of government, business and society in China" (XHNA 19 June).

The Ministry of Foreign Trade and Economic Co-operation (MOFTEC) cited WTO data, which showed that in 2001, China became the sixth-largest importer and exporter in the world (after the USA, Germany, Japan, France and Britain). The value of its exports was US$509.8 billion, compared with a global figure of US$6.1624 trillion. The corresponding figures for imports were US$243.6 billion and US$6.4388 trillion (XHNA, 9 May).

(d) *Military Affairs*

At the end of April, Jiang Zemin (in his capacity as Chairman of the Central Military Commission) signed a decree on promulgating and implementing the Regulations of the Chinese People's Liberation Army [PLA] on Border Defence Talks and Meetings. The regulations were the first of their kind and exemplified that "the PLA's work on border defence talks and meetings [had begun] … embarking into the orbit of standardization and legalization." A Xinhua report (1 May) commented that the new regulations had been "formulated in accordance with the PRC's National Defence Law and the relevant border defence policies and regulations of the State Council and the Central Military Commission, for the purpose of safeguarding the territorial sovereignty and interests of the state and maintaining stability of border areas, thus are the regulations to guide and standardize the whole army's work on border defence talks and meetings."

A CNA report from Taipei (26 June) quoted Chien Hsi-chieh (Chief Executive Official of the Taiwan Peace Promotion Foundation) to the effect that during the past five years, China and Taiwan had together spent some US$20 billion on arms procurement. In the previous two years, mainland China had become the largest weapons importer in the entire world. Acording to Chien, China's military spending was rising at a double-digit rate of growth every year, while the number of its missiles targeted at Taiwan was increasing by 50 annually. With the deployment of an additional 20 Dongfeng 11 short-range missiles at a base in Fujian

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(March 2002) China currently had 400 missiles aimed at Taiwan. Although Taiwan was the world's leading importer of armaments during 1996–2000, in 2001 it only ranked ninth.

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

Statistics made available in the quarter highlighted the ageing of Hong Kong's population, the median age having risen from 31 (1991) to 36 (2001), so that 11.1 per cent of the total population were now 65 or over. Projections suggested that by 2029, the share of total population aged 65 or higher would rise to 20 per cent. The financial implications of the ageing process were serious, with HKSAR government spending on services for the elderly expected to reach HK$3.5 billion in 2002–03 fiscal year – twice as high as the corresponding figure under the 1997–98 fiscal budget.

On 17 April, the HKSAR Chief Executive (Tung Chee Hwa) introduced the framework of a new accountability system for principal officials to the Legislative Council, to be introduced on 1 July 2002. The measures were designed to strengthen their accountability and improve their policy co-ordination, facilitate their service to the needs of the community, strengthen co-operation between the executive and the legislature, and ensure effective policy implementation in providing good-quality services to the public.

The new system would provide for department secretaries and bureau directors to be introduced into the highest level of government under the Chief Executive. The terms and conditions of their contractual employment would be different from those of civil servants (for example, they would be nominated by the Chief Executive himself). Under this system, there would be 14 principal officials – three department secretaries and 11 bureau directors: Chief Secretary for Administration, Financial Secretary, Secretary for Justice, Secretary for the Civil Service, Secretary for Commerce, Industry and Manpower, Secretary for Constitutional Affairs, Secretary for Economic Development, Secretary for Education, Secretary for the Environment, Health and Welfare, Secretary for Financial Services and the Treasury, Secretary for Home Affairs, Secretary for Housing, Planning and Lands, Secretary for Security, Secretary for Transport and Works. All these officials would be appointed to the Executive Council and would be directly responsible to the Chief Executive, to whom they would have direct access. Their main responsibilities would be to gauge public opinion; to formulate policies and establish policy goals; to participate in the deliberations of the Executive Council and assume collective responsibility for the decisions made; to seek public support, as well as Legislative Council support for their policies, and legislative and other initiatives; to attend full sessions of LegCo to initiate bills or motions (HKSAR Government website, 17 April).

On 24 June, Tung Chee Hwa announced the membership of the Executive Council for the second term Hong Kong Special Administrative Region government.

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The unemployment rate in HKSAR was reported to have risen to a record 7.1 per cent for the three-month period to April, with over 240,000 people out of work. A government spokesman said that the jobless rate would remain high in the short term (Hong Kong, RTHK, 18 April and 21 May).

Provisional financial results indicated that the Hong Kong government's deficit in fiscal year 2002–03 was HK$63.3 billion. Estimated expenditure was HK$238.9 billion, while revenue totalled HK$175.6 billion. Fiscal reserves stood at HK$372.5 billion (HK$57.8 billion less than at end-March 2001). This fall reflected the government deficit, albeit "partly offset by a write-back amounting to HK$5.5 billion of the provision made in the previous fiscal year for the fall in the market value of the government's investments with the Exchange Fund during the period from 1 January, 2001 to 31 March, 2001" (XHNA, 30 April).

A RTHK report noted that a projection indicated that by mid-2031, Hong Kong's population would reach 8.72 million – an increase of some two million people above the current level. With the predicted rate of natural increase of 0.9 per cent p.a., the main source of population growth would be migration – especially from the mainland – which was expected to account for 93 per cent of the projected overall population expansion during the next three decades (RTHK, 7 May).

2. Foreign Relations

(a) *Diplomatic Tours*

Jiang Zemin's tour of Germany, Libya, Nigeria, Tunisia and Iran

On 8 April, President Jiang Zemin left Beijing for state visits to five countries (Germany, Libya, Nigeria, Tunisia and Iran). On his arrival in Berlin, he was greeted by Ruediger Frohn (Chief of the German Presidential Office) and the Chinese Ambassador to Germany, Ma Chanrong. A German source noted that human rights issues would be raised during Jiang's visit to Germany.

The next day, the Chinese President met President Johannes Rau at the latter's official residence in Berlin. There, representatives signed agreements designed to strengthen cultural and higher educational ties. Later that same day, Jiang held talks with Chancellor Gerhard Schroeder at the Chancellor's Office. The substantive content of their discussions focused on the expansion of Sino-German economic and cultural relations, as well as technological and environmental co-operation (Berlin, 9 April). *ZXS* revealed that Jiang had put forward the following four-point proposal on further strengthening bilateral relations:

- to maintain high-level contacts and exchanges, to deepen understanding and trust, and to reinforce consensus already reached between the two sides;
- to look ahead and expand co-operation through diverse channels;
- to consult more closely and improve co-ordination in regional and

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international affairs both bilaterally and through international organizations such as the UN;
- to enhance mutual respect and understanding.

Schroeder praised these "relevant [and] far-sighted" proposals, which, he said, promised to strengthen mutually beneficial bilateral co-operation.

Jiang was also at pains to present China's views on the Middle East situation. In particular, he stressed the need to uphold relevant UN resolutions and called on Israel to halt military actions and withdraw its troops with immediate effect. He also reaffirmed Yasir Arafat's leading position in Palestine.

In a banquet speech, the Chinese President urged German businessmen to increase their trade and investment involvement in China, especially in agriculture, transportation, telecommunications and energy. He noted that underlying a bilateral trade volume of US$23.5 billion (2001), Germany had become China's single most important trading and technological partner in Europe, and was expected to overtake the UK to become Europe's largest investor in China.

Later, Jiang visited Wolfsburg in Lower Saxony, where he witnessed the signing of an agreement on revising and extending the joint venture between Volkswagen AG and Shanghai Automotive Industry Corporation up to 2030.

On 13 April, Jiang Zemin travelled from Hanover to Tripoli, where he undertook a two-day state visit to Libya. In a written statement made available on his arrival, he spoke of the value, which China placed on its friendship and co-operation with Libya and expressed the hope that his visit would further enhance bilateral relations.

Later the same day, Jiang held talks on bilateral, regional and international issues with the Libyan leader, Mu'ammar al-Gadhafi. He referred to the important role played by Libya in African and Arab affairs, and spoke of China's wish to expand bilateral co-operation. He reaffirmed the Chinese government's condemnation of terrorism in any form and called for efforts to eliminate the "breeding grounds" of terrorism and to oppose "linking terrorism with a specific ethnic group or religion." After their talks, the two leaders witnessed the signing of a memorandum of understanding on investment and two co-operation documents in the fields of energy and rail transport (XHNA, 13 April). A joint press communiqué was issued by the two sides.

During his three-day state visit to Nigeria (14–16 April), President Jiang Zemin discussed bilateral trade and economic co-operation with Nigerian officials, including President Olusegun Obasanjo, and reached a broad consensus on further promoting such co-operation. Both sides were reported to be satisfied with the outcome of the talks.

Jiang Zemin travelled from Nigeria to Tunisia, where he undertook a state visit. He urged the Tunisian President, Zine El Abidine Ben Ali, to explore ways of enhancing bilateral economic and trade co-operation, as well as strengthening consultations and co-ordination in international affairs. The two sides were reported to have reached a broad consensus

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on major international and regional issues. They subsequently attended a ceremony at which seven co-operation agreements were signed.

On 17 April, Jiang held separate talks with Fouad M'bazaa (President of the Tunisian National Assembly) and Premier Mohamed Ghannouchi. The latter urged Chinese companies to invest more in Tunisia, pointing out that the great potential for expanded bilateral trade and economic co-operation remained unfulfilled.

For the final leg of his tour, the Chinese President flew to Shiraz, where he held talks with senior Iranian officials. Later, he travelled to Tehran, where, on 19 April, he held talks with President Mohammad Khatami. The subjects under discussion included bilateral and regional relations, the preservation of global peace, and opposition to violence and terrorism. Khatami rehearsed Iran's views on the situation in the Gulf: he insisted that sovereignty and territorial integrity should be respected, that Iraq should execute the relevant resolutions of the UN Security Council, and that any outstanding issues should be resolved by political means – views that were largely consistent with China's own policies (*ZXS*, 20 April). Jiang also met Akbar Hashemi-Rafsanjani (Chairman of Iran's State Expediency Council) and Mahdavi Karrubi (Speaker of the Iranian Islamic Consultative Assembly [Majlis]). Jiang Zemin ended his visit to Iran on 22 April.

Zhu Rongji's tour of Turkey, Egypt and Kenya

Premier Zhu Rongji arrived in Ankara on 15 April for a five-day official visit to Turkey (the first stage of a diplomatic tour that also took him to Egypt and Kenya). Speaking at a joint press conference, the Turkish Prime Minister, Bülent Ecevit, spoke of having reached a "full consensus of opinion" on political matters, including those affecting the Middle East. It was also reported that the two sides had signed four agreements.

Premier Ecevit undertook to combat and restrict the activities of "Eastern Turkestan" supporters and terrorist elements. On behalf of his own government, Zhu expressed gratitude to the Turkish authorities for their consistent recognition of Xinjiang as an integral part of China and willingness to act against "anti-Chinese separatist activities by 'Eastern Turkestan' elements in Turkey" (some of whom conducted protests in Ankara during Zhu's visit) (XHNA, 16 April).

In Ankara, Zhu also met Acting President Omer Izgi and the Turkish Deputy Premier, Devlet Bahceli. The Chinese Premier spoke of major progress having been made in political, economic, trade and cultural co-operation between China and Turkey since the establishment of diplomatic ties in 1971. Izgi echoed these remarks and reaffirmed the Turkish government's opposition to all forms of terrorism.

On 19 April, Zhu flew to Cairo to begin a five-day official visit to Egypt. During his stay, he exchanged views on bilateral relations and major international and regional issues of common concern with President Husni Mubarak, Prime Minister Atif Ubayd and other Egyptian

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officials. Zhu and Premier Atif also attended the signing ceremony of three co-operation agreements between Egypt and China.

Also in Cairo, Zhu discussed the situation in Palestinian territories with Amr Musa, Secretary-General of the Arab League. The two men's discussions also embraced Arab–Chinese co-operation in the various fields, as well as other regional and international issues of mutual interest (Cairo, MENA, 21 April).

Finally, Zhu Rongji flew to Nairobi, where he met President Daniel Arap Moi and other Kenyan government officials with whom he discussed bilateral ties and other issues of common concern. Zhu returned to China on 27 April.

Hu Jintao's tour of Malaysia, Singapore and the USA

On 23 April, Vice-President Hu Jintao arrived in Kuala Lumpur (Malaysia) on the first leg of a three-nation tour that would also take him to Singapore and the United States. In an address to the Asian Strategy and Leadership Institute of Malaysia the following day, Hu predicted extended market and business opportunities throughout Asia as a result of China's entry into the WTO. He drew attention to China's burgeoning trade with ASEAN member countries in recent years, two-way trade having risen from US$8 billion to $41.6 billion between 1991 and 2001 and thereby generating a trade surplus for ASEAN of US$5 billion in 2001. During his stay in Kuala Lumpur, Hu also held talks on bilateral relations and other issues of shared interest with the Malaysian Head of State, Tuanku Syed Sirajuddin (XHNA, 24 April).

On 26 April, Hu arrived in Singapore, where he met Prime Minister Goh Chok Tong and discussed bilateral, regional and international issues. Hu noted that Singapore ranked first among ASEAN members as a market for Chinese services exports and for overall import–export trade. He also highlighted the success of the co-operative Suzhou Industrial Park Project in Jiangsu province. He spoke of the considerable potential for further co-operation that remained, not least in the context of evolving globalization. Goh Chok Tong endorsed Hu's remarks (XHNA, 26 April). A Hong Kong source (*South China Morning Post*, 27 April) reported that Hu had also urged the early holding of talks of the possibility of establishing a free-trade agreement between China and South-East Asian countries in order to boost regional economic growth. Hu Jintao later met the Singaporean Senior Minister, Lee Kuan Yew.

On 27 April, Hu Jintao arrived in Honolulu on the first stop of his official visit to the United States. In a written statement, he stated that his visit was primarily designed to help implement the "consensus reached by Chinese President Jiang Zemin and US President George W. Bush … as well as strengthening mutual understanding and pushing forward the constructive and co-operative relationship between the two countries" (XHNA, 27 April).

During a brief visit to New York, en route to Washington, the Chinese Vice-President met UN Secretary General Kofi Annan at the UN head-

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quarters. Hu praised the historical contribution of the UN to conflict resolution and the maintenance of peace throughout the world, as well as its role in promoting economic development and co-operation. He reaffirmed China's support for the work of the international body. The two men also discussed the international situation – especially in the Middle East and Iraq.

On 30 April, Hu Jintao arrived in Washington. At a banquet, which he hosted later that day, the US Secretary of State, Colin Powell, reiterated the major importance that the US Administration attached to Sino-US relations. He noted the good progress that had recently been made over a wide range of fields – anti-terrorism, trade, economic, scientific and technological co-operation – but suggested that the untapped potential remained considerable. Hu's remarks broadly echoed those of Powell, although he also highlighted what he described as "some interference in Sino-US relations recently … [most of which] has stemmed from the Taiwan issue." Hence, the need for the US to "adhere to the one-China policy, strictly abide by the three Sino-US joint communiqués, remove the interference with actual deeds, and make efforts to safeguard the overall interests of Sino-US relations" (XHNA, 1 May).

The following day, Hu met the US Defence Secretary, Donald Rumsfeld, with whom he discussed bilateral relations. Both men agreed on the resumption and strengthening of military exchanges. On the same day, he also held talks with Vice-President Cheney and spoke of the urgency to enhance "dialogue and engagement" in order to overcome existing obstacles in the way of further bilateral co-operation. In particular, he stressed the centrality of the "Taiwan problem" and urged the resumption of cross-straits negotiation on the basis of the one-China principle. He warned that the Chinese government would not brook " 'Taiwan independence' or damage to China's sovereignty and territorial integrity" (XHNA, 2 May).

President Bush held a meeting with the Chinese Vice-President in the Oval Office of the White House (also 1 May) and said that he was looking forward to receiving Jiang Zemin when he came to the US later in the autumn. Bush also indicated his understanding of the sensitivity of the Taiwan issue and insisted that the US government would continue to uphold its one-China policy and abide by the three US-Sino joint communiqués.

At a later banquet, Hu set out four principles on how to handle future Sino-US relations (*ZXS*, 1 May). These were: to strengthen high-level strategic dialogue and other exchanges; to strengthen exchanges and co-operation in all fields; to respect each other and address their differences "on the basis of seeking common ground;" strengthen dialogue and co-operation on major issues, including global peace and security.

Hu later referred to his "frank and constructive" talks with senior American officials (*ZXS*, 2 May; and for the text of Hu Jintao's speech at a dinner party in Washington, D.C., hosted by US Friendship Groups, see Hong Kong, *Ta Kung Pao* [*Dagong bao*], website, 3 May). Hu later visited San Francisco, before leaving for home on 3 May.

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Tang Jiaxuan's tour of Pakistan, Afghanistan, Indonesia and East Timor

On 14 May, Tang Jiaxuan flew to Islamabad, where, following talks with his Pakistani counterpart, Abdul Sattar (14 May), it was reported that the two sides had agreed to hold regular consultations on counter-terrorism and arms control. During his visit, Tang also met President Pervez Musharraf, with whom he discussed bilateral relations, the situation in Afghanistan, and the ongoing military standoff between India and Pakistan.

On 15 May, Tang arrived in Kabul, where he was the first Chinese Foreign Minister to visit Afghanistan for 37 years. During his one-day visit, he held talks with his counterpart (Abdollah Abdollah), as well as with the Afghani interim leader, Hamed Karzai, and former king Mohammad Zaher Shahand. The two sides signed an agreement on economic and technological co-operation (XHNA, 15 May).

For the final leg of his brief tour, Tang Jiaxuan travelled to Jakarta, where he met President Megawati Soekarnoputri and discussed the prospects for expanding bilateral co-operation. Tang's discussions with Megawati followed earlier talks with Foreign Minister Hasan Wirayudha.

After leaving Indonesia, Tang Jiaxuan flew to Dili to attend East Timor's independence ceremony (20 May). Tang met the President-Elect, Xanana Gusmao, and spoke of China's intention to establish full diplomatic relations with East Timor. He also met Jose Ramos-Hortam (Senior Minister for Foreign Affairs and Co-operation in the East Timor transitional cabinet). (For the text of Jiang Zemin's congratulatory message to Xanana Gusmao on the proclamation of independence of the Democratic Republic of East Timor, see XHNA, 19 May; and for the full text of the joint communiqué on the establishment of diplomatic relations between China and East Timor, see XHNA, 20 May.)

Jiang Zemin's visits to Kazakhstan and Russia, and his subsequent tour of Latvia, Estonia, Iceland and Lithuania

On 3 June, Jiang Zemin left Beijing to attend two summits (the Conference on Interaction and Confidence Building Measures in Asia (CICA) in Almaty; and the Second Summit of Shanghai Co-operation Organization (SCO) in St Petersburg), and to undertake state visits to Latvia, Estonia, Iceland and Lithuania. He pointed out that even before the events in New York and Washington of 11 September 2001, the Chinese government along with the other SCO members had signed the Shanghai Convention on Combating Terrorism, Separatism and Extremism.

Addressing CICA in Almaty, Jiang called for further efforts to combat international terrorism. He drew attention to the terrorist activities of " 'East Turkestan' separatists," pointing out that even before the events of 11 September, China and other members of the SCO had already intensified their anti-terrorist activities.

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At the St Petersburg Summit (7 June), SCO members (China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan) expressed their determination to strengthen their co-operation against "terrorism, separatism, extremism, organized crime and illegal drug and arms trafficking." Their declaration stated that:

> [t]he Shanghai Co-operation Organization's member countries resolutely reject all acts, methods and practices of terrorism … The fight against terrorism must be based on international legal standards and principles and this struggle must not be transformed into combat against any particular religion, country or ethnic group.

The meeting also called for establishment, under auspices of the UN and the UN Security Council, of a global system to counteract new threats and challenges (Moscow, Interfax, 7 June; and see XHNA, 7 June for the text of Jiang Zemin's St Petersburg speech). It adopted a Charter for the Shanghai Co-operation Organization, designed to establish a proper legal foundation for the SCO's future development, whereby the six SCO member-states undertook to "further upgrade their co-operation in all areas possible and make joint efforts to contribute to maintaining peace, security and stability in the region" (full text available from XHNA, 7 June).

On 10 June, Jiang Zemin arrived in Riga – the first such visit by a Chinese state president – for talks on bilateral relations and international issues with President Vaira Vike-Freiberga and other senior officials. Out of their discussions came agreement to develop "long-term stable and co-operative relations" between China and Latvia.

The following day, Jiang met the Latvian Prime Minister, Andris Berzins, who spoke of his government's interest in participating in the establishment of the "Asian–European silk road," through making available Latvian ports as part of the transit route from Asia to Europe and the EU.

The same basic agenda was the subject of Jiang's discussions with the Estonian President, Arnold Ruutel, in Tallinn (12 June) – the two sides looking forward to expanded co-operation in trade and investment. Following their talks, the two men attended a signing ceremony for the Treaty between the People's Republic of China and the Republic of Estonia for Assistance with Criminal Justice Affairs.

Jiang Zemin was welcomed by the Icelandic President, Olafur Grimsson, when he arrived in Reykjavik on 13 June for the first state visit to Iceland ever undertaken by a Chinese head of state. Following Jiang's talks with Grimsson and Premier David Oddsson, the two sides agreed to expand bilateral trade and economic co-operation.

The final leg of Jiang's tour took him to Vilnius, where, on 16 June, he arrived on a two-day official visit for talks on political, trade, economic and cultural co-operation between China and Lithuania. His talks with President Valdas Adamkus centered on trade, economic and cultural relations, as well as Lithuania's aspirations to join the EU and NATO (Lithuanian Radio, 17 June). After their talks, the two presidents

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attended a signing ceremony for the Extradition Treaty agreed between the two countries. Jiang also met Lithuania's Prime Minister, Algirdas Brazauskas, with whom he further discussed the prospects for closer bilateral relations.

(b) *Countries, Territories and Regions*

Africa (Uganda, Republic of Côte d'Ivoire, Burundi)

In Beijing on 3 April, the Ugandan Third Deputy Prime Minister and Minister of Foreign Affairs (James Wapakhabulo) discussed bilateral relations and other issues of shared concern with Tang Jiaxuan. Uganda Radio later reported that the Chinese government had agreed to provide Uganda with a grant of US$6.4 million towards the construction of the headquarters of the Ministry of Foreign Affairs in Kampala.

On 23 April, President Laurent Gbagbo of the Republic of Côte d'Ivoire arrived in Beijing for a week-long state visit to China at the invitation of Jiang Zemin. In his talks with Gbagbo, Jiang spoke of the value that China attached to its friendly ties with Côte d'Ivoire and hoped that such relations would be further strengthened. He promised further development assistance (including more investment), and a document providing for Chinese government loans to Côte d'Ivoire was later signed by the two sides. Gbagdo himself called for an expansion of trade and economic co-operation, noting that in 2001 two-way trade was US$270 million (15.4 per cent more than in 2000). President Gbagbo departed for home on 29 April.

The following month saw a visit to China by Terence Sinunguruza, Burundi's Minister of Foreign Affairs and Co-operation. Sinunguruza held talks on bilateral relations with Vice-Premier Wu Bangguo

Australia and Oceania

In Beijing on 22 May, the visiting Australian Prime Minister (John Howard) held talks with Zhu Rongji, during which they agreed to hold consultations on a proposal for signing a framework agreement to promote Sino-Australian economic and trade relations. Zhu noted recent rapid growth in bilateral economic relations, with two-way trade having exceeded US$9 billion in 2001. Australian investors had also established over 4,000 projects in China, embodying investment worth US$2.4 billion (XHNA, 22 May).

Howard later travelled to Chongqing, where, on 23 May, he met Jiang Zemin to discuss South Asia and Middle East issues, as well as bilateral and international relations.

Later the same month, Laisenia Qarase (Prime Minister of the Republic of the Fiji Islands) travelled to Beijing at the invitation of Zhu Rongji. He also visited Dalian, Shanghai and Shenzhen. Zhu accepted an invitation to visit Fiji.

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Commonwealth of Independent States (Azerbaijan, Russian Federation, Kazakhstan, Tajikistan, Kyrgyzstan)

The Azerbaijani President, Heydar Aliyev, and Jiang Zemin exchanged messages of mutual congratulation on the tenth anniversary of the establishment of bilateral diplomatic relations (2 April). Both sides looked forward to the further strengthening of comprehensive ties.

On 25 April, the Russian and Chinese Foreign Ministers, Igor Ivanov and Tang Jiaxuan, held talks in Moscow on bilateral relations and other issues of common concern (most notably international terrorism). Ivanov noted that international terrorism was also the focus of the forthcoming (26 April) meeting in Moscow of the Shanghai Co-operation Organization (SCO). The two men expressed satisfaction at the smooth progress of the "strategic co-operative partnership" between their two countries, as well as at the recent signing of the bilateral consular pact – the latter seen as "another concrete step taken by China and Russia towards a sound implementation of the Good-Neighbourly Treaty of Friendship and Co-operation." A Russian source also referred to Tang and Ivanov's exchange of views on strategic security issues. Tang later met the Russian Prime Minister, Mikhail Kasyanov, with whom he held further discussions on bilateral relations, trade and economic co-operation (XHNA, 25 and 27 April, and ITAR-TASS, 26 April). (For reports of the Moscow meeting of the SCO, see XHNA, 26 April.)

In May, Kazakhstan's State Secretary and Minister of Foreign Affairs, Kasymzhomart Tokayev, travelled to Beijing, where he held talks with senior Chinese officials, including Vice-Premier Qian Qichen.

The same month saw a visit to China by President Emomali Sharipovich of the Republic of Tajikistan. In Beijing, he met Zhu Rongji. Both looked forward to an expansion of bilateral trade and economic co-operation and Xinhua highlighted the similar or identical views on important regional and international issues that the two sides shared. Jiang Zemin's discussions with Rahmonov also focused on bilateral, regional and international issues. (For the full text of the two sides' joint statement, see XHNA, 17 May.) Representatives of the two countries later signed a number of documents on bilateral co-operation, including an additional border agreement, an inter-governmental agreement on co-operation in power engineering, information exchange, and on the allocation of 10 million *yuan* of aid to Tajikistan.

In June, the Kyrgyz President, Askar Akayevich Akayev, met senior Chinese government officials in Beijing. He hoped that bilateral trade and economic co-operation between China and Kyrgyzstan would be further strengthened. He noted too that there was great potential for the two countries to co-operate in the development of industries, such as energy, transport, mining and agricultural processing. In 2001, the value of bilateral trade was US$120 million; in the first four months of 2002, it had already reached US$56.33 (up 17.2 per cent year on year). In addition over 500 Chinese enterprises had registered in Kyrgyzstan with an associated total investment of US$30 million.

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Subsequently, Jiang Zemin made a four-point proposal for expanding the development of Sino-Kyrgyzstan relations. He joined Akayev in signing a good-neighbour, friendship and co-operation pact.

Eastern Europe (Bulgaria, Macedonia, Croatia, Slovenia, Bosnia-Hercegovina, Romania)

On 31 March, the Bulgarian Foreign Minister, Solomon Pasi, attended a Sino-Bulgarian business forum in Beijing. He urged both sides to engage in more joint ventures, especially in textile, chemicals, pharmaceuticals and domestic appliances, in order to strengthen bilateral economic relations. Two-way trade in 2001 was a mere US$118 million, of which Chinese exports accounted for US$80 million. Later Pasi held talks with Tang Jiaxuan. During his visit to China, Pasi also held talks with Vice-Premier Qian Qichen.

In April, President Boris Trajkovski of Macedonia, accompanied by Foreign Minister Slobodan Casule, visited China. In his talks with Trajkovski, Jiang Zemin spoke of the generally smooth development of bilateral relations between China and Macedonia, although he also referred to "ups and downs … because of sabotage by the Taiwan authorities." He reaffirmed the Chinese government's wish to develop "long-term, stable and comprehensive relations" with Macedonia and he put forward a three-point proposal to fulfil that goal. The two presidents subsequently signed a joint statement between the two countries on consolidating and promoting friendly relations and co-operation (see XHNA, 27 April, for full text). Trajkovski also held talks with Premier Zhu Rongji, who urged an expansion of trade and economic co-operation between China and Macedonia.

On 13 May, the Croatian President (Stjepan Mesic) arrived in Shanghai, where he held business talks with municipal officials and attended a forum on Shanghai's trade and economic relations with Croatia. Following Mesic's talks in Beijing with Jiang Zemin and Zhu Rongji, China and Croatia subsequently signed a joint statement on deepening the two countries' relations of mutually beneficial co-operation.

Towards the end of the same month, the Slovenian Foreign Minister, Dimitrij Rupel, arrived in Beijing for talks with Tang Jiaxuan. Rupel expressed his pleasure at being in China on the tenth anniversary of the establishment of Sino-Slovenian relations and spoke of his country's readiness to expand relations with China further. The two ministers also exchanged views on the situations in South-East Asia, South Asia and the Middle East.

On 25 June in Beijing, the Foreign Minister of Bosnia-Hercegovina (Zlatko Lagumdzija) held separate discussions with Zhu Rongji and Tang Jiaxuan. The two sides exchanged views on bilateral co-operation, as well as the regional and international situation. They looked forward to the strengthening of ties between the two countries.

Following a brief stopover in Hong Kong, on 26 June the Romanian Prime Minister, Adrian Nastase, arrived in Beijing on an official visit to

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China for talks with Jiang Zemin, Zhu Rongji and Vice-Premier Qian Qichen. During their discussions, Zhu put forward a four-point proposal for the development of bilateral trade and economic co-operation, whereby the two sides would "explore new ways of co-operation and expand co-operation under the market economic system; give full play to the role of relevant departments of the two countries and their mixed committees on trade and economic co-operation; encourage enterprises to conduct direct co-operation; and offer better information on co-operation between enterprises" (XHNA, 27 June). Zhu also drew attention to the unbalanced nature of two-way trade.

Japan

A Xinhua comment (2 April) on the 30th anniversary of the normalization of Sino-Japanese diplomatic relations in 1972 referred to the two countries as "two neighbours as interdependent as lips and teeth." It pointed out that during the previous three decades, in addition to the buoyant growth of bilateral cultural and educational exchanges, trade and economic co-operation had also expanded significantly. Thus, in 2001 the total volume of Sino-Japanese trade reached a record level of US$87.75 billion dollars, making Japan China's largest trading partner for ninth year in succession (China being Japan's second-largest trading partner). Sino-Japanese trade constituted 17.2 per cent of China's total trade volume. Japanese foreign direct investment in China had meanwhile reached US$44.1 billion (contractual) and US$32.7 billion (utilized). The latter figure made Japan second-largest source of utilized FDI, after the United States.

In addition, between 1979 and 2001, the Japanese government had made available to China four tranches of yen loans, worth 2,670 billion yen – that is, about 50 per cent of the total amount of loans committed to China by foreign governments. Such loans, as well as other forms of capital co-operation had contributed significantly to the acceleration of economic reform and development in China. In this context, also important was the high degree of co-operation in banking that had taken place between China and Japan, exemplified most recently in an agreement between the People's Bank of China and the Bank of Japan on bilateral currency exchange of *renminbi* and yen.

In the wake of China's accession to the WTO, it was expected that Japanese entrepreneurs would view the Chinese market even more positively. Hence, the recent transfer of television production facilities to China by Toshiba – a move likely to be copied by the Mitsubishi Electric Company.

On 2 April, Li Peng (Chairman of the NPC Standing Committee) arrived in Tokyo for an eight-day visit to Japan. The visit, intended to strengthen bilateral relations, was the first by a Chinese leader since Zhu Rongji travelled to Japan in November 1997. Li was expected to meet Premier Junichiro Koizumi, as well as Emperor Akihito, and other parliamentary and political leaders. Li's visit had originally been intended

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to take place in spring 2001, but had been postponed in the wake of increasing bilateral tension (Kyodo, 2 April).

On the day after his arrival, Li held separate meetings with Tamisuke Watanuki (Speaker of the House of Representatives) and Yutaka Inoue (President of the House of Councillors). He briefed the two Diet leaders on China's domestic situation, including the likely implications of China's admission into the WTO, and discussed the possibilities of peaceful co-operation and development between China and Japan. He also met the Secretary-General of the Japanese Liberal Democratic Party, Taku Yamasaki.

The same day, Li Peng also exchanged views on bilateral relations and other issues of common concern with the Japanese Foreign Minister, Yoriko Kawaguchi. He spoke of significant progress having been made in bilateral relations during the previous 30 years, and called on both countries to deal "prudently" with outstanding problems (XHNA, 3 April).

On 4 April, Li Peng held talks with Prime Minister Junichiro Koizumi, who spoke positively of China's rapid economic progress and hoped for stronger bilateral co-operation in relevant associated areas. Koizumi rejected the view that China's growth momentum was a threat to Japan, arguing instead that it was conducive to Japan's own development – not least, in the wake of China's WTO membership. He was at pains to reaffirm his government's determination to redouble its efforts to promote stronger bilateral relations in the new century. For his part, Li was optimistic about future bilateral relations and insisted that stronger bilateral co-operation would serve not only the interests of China and Japan, but also contribute to the "revitalization and prosperity" of Asia.

In April, the visit by Premier Junichiro Koizumi to the Yasukuni Shrine was predictably condemned by official Chinese sources. Hence, a Chinese Foreign Ministry spokeswoman's comment that the visit would serve only to "hurt Japan's own image and make it more difficult … to win trust of peoples in Asian countries on history issues" (XHNA, 21 April). Hence too, Vice-Foreign Minister Li Zhaoxing's solemn representations to the Japanese Ambassador to the effect that Koizumi's visit had hurt the Chinese people's feelings and damaged Sino-Japanese relations (see also *RMRB*, 23 April). Further protests followed, and it was later announced that Beijing had postponed the Chief of Japan's Defence Agency scheduled visit to Beijing (Kyodo, 23 April). Interestingly, the Japanese News Agency quoted the Japanese Prime Minister as expressing his respect for China's decision ("China has a reason [to postpone the meeting] … I respect the stance" (Kyodo, 24 April).

During their visits to Cha-am (Thailand) to participate in the inaugural Asia Co-operation Dialogue Forum, Tang Jiaxuan and his Japanese counterpart, Yoriko Kawaguchi, held talks on two ongoing issues: the removal in May by Chinese authorities of North Korean asylum seekers from a Japanese consulate in China (see also Tang's talks with the South Korean Foreign Minister, Choi Sung-hong, in XHNA, 19 June); and the agreement reached more recently, whereby China would allow Japan to

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raise a suspected North Korean ship from the bottom of the East China Sea in China's exclusive economic zone (Kyodo, 19 June). It was later agreed by the two sides that they would seek to conclude a bilateral consular treaty to avoid conflicts such as had arisen as a result of the Korean asylum issue. They also undertook to find ways of strengthening bilateral relations.

Latin America (Republic of Peru, Mexico)

On 26 May, the Foreign Minister of Peru (Diego Garcia Sayan) arrived in Beijing for talks with Tang Jiaxuan. Sayan called for an expansion of bilateral trade.

The following month, the Mexican Secretary of Foreign Relations, Jorge G. Castaneda, made a visit to China. His talks with Zhu Rongji focused on the prospects for expanded bilateral trade and economic co-operation in the wake of China's entry into the WTO. During his visit, Castaneda joined Tang Jiaxuan in co-chairing the fifth political consultation between the two countries' foreign ministries

Middle East and North Africa (Israel, Lebanon, Bahrain)

On 31 March, Tang Jiaxuan held a telephone conversation with the Israeli Deputy Prime Minister and Foreign Minister, Shimon Peres. Tang expressed the Chinese government's deep concern about the sudden deterioration in the Middle East situation. He noted that the escalation in the conflict between Israel and Palestine was causing major casualties and property losses, and endangering the personal security of the Palestinian leader, Yasir Arafat (XHNA, 31 March). He urged Israel unconditionally to implement UN Resolution 1402, to withdraw its troops from the Palestinian area and seek to resolve the issue by peaceful means (see also the remarks of a Chinese Foreign Ministry spokeswoman in XHNA, 2 April). On 4 April, in a conversation with UN Secretary-General, Kofi Annan, China's Permanent Representative to the UN (Wang Yingfan) called on the Israeli government to withdraw its troops from the Palestinian territories and to take steps to ensure the safety of Yasir Arafat. The following day, Tang Jiaxuan made separate telephone calls to Yasir Arafat and the Secretary General of the Arab League (Amr Musa).

Later, Tang spoke on the telephone to the US Secretary of State, Colin Powell, and told him of his earlier calls to Arafat and Musa. He welcomed Powell's decision to travel to the Middle East and expressed the Chinese government's hope that his visit would help to ease the conflict between Israel and Palestine. Meanwhile, he said, China was ready to co-operate with the US to this end. Tang and Powell also discussed other major issues, including Sino-US relations and the situation in South Asia (XHNA, 5 April).

In April, it was confirmed that two Chinese workers had been killed and four others injured in a recent suicide bombing in Jerusalem.

On 27 April, the Lebanese Prime Minister, Rafik al-Hariri, arrived in

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Beijing for a three-day official visit to China. In his talks (28 April) with his Lebanese counterpart, Zhu Rongji stressed the Chinese government's positive attitude towards bilateral co-operation to the mutual benefit of the two countries. Hariri echoed such remarks in his talks with the Chinese President, Jiang Zemin.

In May, the Prime Minister of Bahrain, Shaykh Khalifah Bin-Salman Al Khalifah, visited China – the first such visit ever made by a "state leader" of Bahrain. His talks with Zhu Rongji focused on bilateral relations, regional and international issues. Khalifah also met Vice-Premier Qian Qichen, with whom he discussed bilateral relations and the situation in the Middle East.

North-East Asia (South Korea [Republic of Korea])

In Beijing, Korean and Chinese business representatives attending the Seventh Korea–China Economic Council (7 June) adopted a joint statement calling for an expansion in bilateral trade and investment co-operation. In particular, the statement urged greater efforts to be made towards defusing trade disputes, balancing trade and maintaining South Korean investment in China. It also looked forward to stronger co-operation in finance, insurance, tourism, telecommunications technology, construction, aviation and marine affairs (Seoul, Yonhap, 7 June).

South Asia (India, Pakistan)

Speaking in Shanghai (1 April), the Indian External Affairs Minister, Jaswant Singh, called on China and India to rid themselves of "cobwebs of doubt and suspicion" in order to strengthen security and other relations between the two countries and establish a "qualitatively new relationship [with] mutual respect and equality … at its core" (Press Trust of India [PTI], New Delhi, 1 April). Singh travelled to Shanghai, following what he described as a "very productive and comprehensive round of meetings and talks with the Chinese leadership" in Beijing. Official Chinese sources similarly spoke positively of the visit, which was said to have enhanced mutual trust and understanding between the two countries (including a specific decision to accelerate the process of demarcation of the Line of Actual Control and initiate a bilateral dialogue mechanism on counter-terrorism, to be held in New Delhi on 23 April) (PTI, 2 April).

In a telephone call to Jaswant Singh (24 May), Tang Jiaxuan expressed his government's hope that in the face of heightened tension in South Asia, India and Pakistan would show the utmost restraint and seek to resolve their disputes through dialogue.

A PTI report (4 June) quoted the Chinese Commercial Consul in Bombay to the effect that the value of Sino-Indian trade in 2001 had risen by 23.4 per cent to almost US$3.6 billion. Chinese exports to India had risen by 21.5 pecent to US$1.89 billion, while imports of Indian products had reached US$1.69 billion (up 25.6 per cent).

At the end of June, the Foreign Minister of Pakistan, Inamul Haq,

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travelled to Beijing and held talks with senior Chinese officials, including Vice-Premier Qian Qichen. Haq briefed Qian on the latest situation in South Asia, highlighting the continuing tension that existed along the border between Pakistan and India. He hoped China would continue to "exert its influence and urge the international community to make greater efforts in easing tension" in the region. Haq also held talks withTang Jiaxuan.

South-East Asia (Vietnam)

Shi Guangsheng (MOFTEC Minister) visited Hanoi in May and held talks with senior Vietnamese officials, including the Prime Minister, Phan Van Khai. Both men agreed that conditions favoured the further development of bilateral trade and economic relations and suggested that the volume of such trade could reach US$5 billion by 2005.

Taiwan [Republic of China]

A MOFTEC official revealed that imports from Taiwan had come to account for 12 per cent of total annual imports by the mainland. Taiwan was China's fourth-biggest trading partner and second-largest import market. Meanwhile, the mainland was Taiwan's third-largest trading partner, its second-largest export market and fourth-biggest import market. The importance of China as a trading partner was exemplified by the finding that Taiwan's trade surplus vis-à-vis the mainland exceeded that from all its other trading partners.

By the end of 2001, mainland China had approved 50,838 Taiwanese-funded businesses (13 per cent of China's total), contractually worth US$54.73 billion, or 7.3 per cent of total FDI inflows. The value of Taiwan's utilized investment was US$29.34 billion (7.4 per cent of the total). In 2001 alone, some 4,196 Taiwanese-funded businesses had been established in China, with a contractual value of US$6.9 billion (US$3.14 billion in utilized terms) (XHNA, 29 March).

It was reported in May that Taiwan's Chinese Petroleum Corp [CPC] was about to sign a formal contract with the China National Offshore Oil Corp [CNOOC] in order to provide for the joint exploration for oil under the Taiwan Strait. The contract would provide for the establishment of a joint venture firm (the Tainan–Chaoshan Petroleum Co. Ltd, to be registered in the Virgin Islands with an initial capitalization of US$50,000). The project would be the first prominent instance of co-operation between state-run oil companies across the Taiwan Strait since Chen Shui-bian became President (CNA, 13 May). If oil were discovered and, following extraction, were found to be economically viable, the two companies would split oil and gas production on a 50:50 basis. Meanwhile, the CPC would manage the finances of the joint venture, while its mainland counterpart supervised the operations. The President of CNOOC arrived in Taipei on 15 May in order to sign the contract.

Also in May, CNA announced that the United World Chinese Com-

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mercial Bank had opened a representative office in Shanghai – the first Taiwanese bank to do so. The report stated that the main activities of the branch would be to collect business and financial information for Taiwanese businessmen. Later, Lee Yung-san (Minister of Finance) revealed that in accordance with the Statute Governing the Relations between the People of the Taiwan Area and the Mainland Area and under the principle of reciprocity, the government in Taipei would open Taiwan's financial market to mainland Chinese banks. No timetable for the opening of the local financial market to such banks had, however, been set. (Later the same month, Lee also stated that the Bank of Taiwan might enter the mainland in June – see CNA, 22 May.)

Fujian's Provincial Transportation Bureau in Xiamen revealed that in the first five years of cross-strait direct shipping services (1997–2001), some 1.8 million standard containers were shipped between Xiamen and Kaohsiung Port in Taiwan. Shipments by mainland shipping companies accounted for 1.15 million of these, compared with 655,365 in the opposite direction. Elsewhere, it was reported that as of end-March, China had approved the establishment in China of 32 offices and four joint ventures by Taiwanese shipping companies.

An important initiative, announced by the Legislative Yuan in Taipei on 2 April, was an amendment allowing Chinese developers to invest in Taiwan's real estate sector for the first time. The new legislation allowed mainland individuals, corporate groups and organizations (including companies established in third places) to seek permits to acquire and transfer real estate rights in Taiwan. An additional amendment was approved, whereby profits made by Taiwan businessmen from their investments in the mainland would be tax-deductible in Taiwan. The main targets of Chinese capital for real estate investment were expected to be office buildings, malls, hotels and theme parks. It was simultaneously announced that restrictions on Chinese tourist visitors to Taiwan would be eased (CNA, 2 April).

The Chair of the Mainland Affairs Council [MAC], Tsai Ing-wen, announced on 6 May that Taiwanese business personnel working in mainland China would be permitted to travel freely between Taiwan and the mainland via Kinmen [Jinmen or Quemoy], once relevant port facilities had been made available. Frequent travellers would be issued with multiple-entry visas (CNA, 7 May). A few days later, it was also reported that the government in Taipei was to open Taiwan's tourist market further by allowing a second category of mainland Chinese to travel to Taiwan (for details, see CNA, 10 May).

On 31 March, an earthquake, measuring 6.8 on the Richter scale, hit Taiwan. Four people were killed and more than 200 others were injured as a result of the disaster (Kyodo, 31 March).

United States of America

In Geneva on 5 April, it was reported that the United States had agreed to the request of the Chinese Permanent Mission to the WTO to hold talks

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on the steel tariffs issue. This followed the US announcement (20 March) that it would implement steel safeguard measures under WTO regulations, whereby three-year quota restrictions would be imposed on principal imported iron and steel products, or extra levies of up to 30 per cent on steel imports (XHNA, 5 April). On 12 April, China was a signatory to a joint statement issued also by the EU, Japan, South Korea, Switzerland and Norway demanding an immediate end to the American protectionist action, which, it argued, contravened official WTO rules.

During a visit to China during which he discussed WTO-related issues, US Commerce Secretary Donald Evans expressed optimism for future bilateral trade. The main focus of Evans's talks was the American Steel Products Safeguard Measures under Section 201 of its 1974 Trade Law, under which the United States gave notice of its intention to impose a three-year customs quota restriction, or the levy of a tax on major steel imports from several countries, including China. Evans hoped that China and the US would be able to resolve the consequent dispute with China through "positive dialogue and consultations on the basis of mutual trust" (Hong Kong, XHNA, 24 April).

In Geneva on 24 June, the WTO approved the second request from China, Switzerland and Norway for a panel to rule on the legality of the US steel tariffs.

Western and Southern Europe (European Union [EU], Luxembourg, Greece, Germany)

On 2 April, the EU Commissioner for External Relations, Christopher Patten, held talks in Beijing with Tang Jiaxuan. Tang spoke of the positive momentum of Sino-EU relations, with frequent political contacts and dialogues taking place at all levels. Patten echoed these sentiments and said that the two sides shared similar viewpoints and common interests on many major international issues, including the establishment of a "multiple international mechanism." He spoke too of the EU's readiness to strengthen political dialogue and consultation with China, as well as strengthening trade and economic co-operation (XHNA, 2 April).

The following day, the two sides signed two co-operation agreements: the first, designed to promote the sustainable development of energy and environmental protection; the second, on educational exchanges between Chinese and European universities.

Patten also met Jiang Zemin, Vice-Premier Qian Qichen and the MOFTEC Minister, Shi Guangsheng.

On 4 April, Jean-Claude Juncker (Prime Minister of Luxembourg) arrived in Beijing for a working visit. His talks with Zhu Rongji generated a general consensus of views on bilateral ties and other issues of common concern. The Chinese Premier hoped that bilateral co-operation would be strengthened, especially in opening up western China (XHNA, 4 April). Juncker also visited Qinghai and Shanghai.

Later the same month, the Greek Foreign Affairs Minister (George Papandreou) also travelled to Beijing, where, on 8 April, he met Vice-

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President Hu Jintao. Hu referred to the smooth development of bilateral relations and to the closeness of their views on many international issues. Papandreou spoke of his government's willingness to strengthen bilateral co-operation and exchanges with China in various fields. The same day, a meeting took place with the Chinese Foreign Minister (Tang Jiaxuan), who echoed Hu's remarks during the two leaders' discussion of regional and international issues of common concern.

On 2 June, the Greek Prime Minister, Konstandinos [Yeoryiou] Simitis, arrived in Beijing, where, the following day, he held discussions with Jiang Zemin. The two men also exchanged views on international affairs after the 11 September incident, the situations in the Middle East and South Asia, and other regional and global issues of shared concern.

Also on 3 June, Simitis met Zhu Rongji, with whom he discussed bilateral, regional and international issues in what was described as a "warm and friendly atmosphere." The two sides were said to have reached a broad consensus. Following their talks, the two premiers attended a signing ceremony for three co-operation agreements, including one on the avoidance of double taxation on income and the prevention of tax evasion (XHNA, 3 June). During Simitis' visit to Shanghai, it was reported that the value of import–export trade between Shanghai and Greece in 2001 was US$145 million, while the contractual value of Greek investment in Shanghai was US$13.84 million.

It was reported that General Xiong Guangkai, Deputy Chief of the General Staff of the PLA, visited Bonn, where (27–28 May) he participated in the first high-level defence and security meeting with his German counterpart (Vice-Admiral Faeste).

(c) *International Organizations (United Nations [UN], Association of South-East Asian Nations [ASEAN], The World Bank)*

Speaking in New York on 29 March, Jayantha Dhanapala (Under Secretary-General of the UN in charge of disarmament affairs) praised China's important role over in disarmament and arms control affairs. He referred to international appreciation for China as a nuclear power that had vowed not to be the first to use nuclear weapons. He noted too that China had taken measures to control its conventional weapons (*ZXS*, 30 March).

On 2 April, an international conference on the disarmament agenda for the 21st century, co-sponsored by the UN and the Chinese Foreign Ministry, opened in Beijing. At the opening ceremony, Tang Jiaxuan stressed the need for all countries to enhance security "through co-operation, dialogue, mutual trust and development" (XHNA, 2 April). He spoke of the urgency of maintaining existing arms control regulations and of promoting arms control and disarmament, not least in the face of growing threats from terrorism. Only by establishing a "fair and reasonable new international order" and strengthening international co-operation could such threats be removed. Tang also emphasized the need peacefully to explore space for the benefit of all mankind, rather than make it a

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"new … weaponized … battlefield." UN Under-Secretary General Jayantha Dhanapala echoed the Chinese Foreign Minister's remarks. (See also the speech of Qiao Zonghuai, Vice-Minister of Foreign Affairs, as reported by XHNA, 3 April.)

Addressing the tenth UN General Assembly [UNGA] emergency special session on the Middle East and Palestine problems (7 May), China's Deputy Permanent Representative to the United Nations (Zhang Yishan) condemned Israel's "armed invasion" of Palestine and its disregard for relevant United Nations Security Council [UNSC] resolutions. Zhang said that Israel's recent actions against Palestine had precipitated an escalation of the Middle East conflict. He added his government's condemnation of Israel for having "indiscriminately killed innocent people at the Jenin refugee camp under the pretext of combating terrorism … [and launched] … barbaric assaults against Palestine" in contravention of UNSC resolutions. He made the familiar point on behalf of his government that there was no alternative to seeking a peaceful solution to the Middle East question through a resolution, above all, of the Palestinian issue (XHNA, 7 May).

The Chinese government was represented at the Sixth Meeting of Finance Ministers of the Association of South-East Asian Nations (ASEAN), which opened in Yangon [Rangoon] on 5 April, following a one-day working group meeting of finance and central bank deputies of 'ASEAN plus three' – China, Japan and Republic of Korea.

Speaking in Chengdu at the Third Western China International Exposition (25 May), the President of the World Bank (James D. Wolfensohn) pledged to work for long-term co-operation with Sichuan and other regions in western China. He said that the bank sought to establish a co-operative partnership with Sichuan province, as well as maintaining its partnership with China for up to a further 100 years. He revealed that the World Bank would make available aid to Sichuan for the development of agriculture, education, public health, infrastructure, the private sector and high-tech industries. As of 2001, China had absorbed loans from the Bank valued at US$34.1 billion in support of the construction of 234 projects (XHNA, 25 May).

Later, Wolfensohn travelled to Beijing in order to participate in the APEC Finance and Development Programme (AFDP) 2002 Annual Forum. In talks with Jiang Zemin, he spoke highly of China's achievements in economic development and looked forward to a further expansion of co-operation. Wolfesohn also met Zhu Rongji.

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