Quarterly Chronicle and Documentation

(January–March 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*)

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1. Internal Developments

(a) *The 26th Session of the Ninth NPC Standing Committee*

The 26th session of the NPC Standing Committee was held in Beijing on 26–28 February, where its main task was to hear and approve various briefings and reports in advance of the meeting of the full NPC, scheduled to begin on 5 March (see below).

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 proposed amendments were designed to put in place a uniform national certification system for all imports and exports in order to accommodate WTO rules.

At the conclusion of the 26th meeting of the Standing Committee, NPC delegates endorsed the draft agenda for the Fifth Session of the Ninth NPC, including a draft list of members and Secretary-General of its Presidium. It also approved the NPC Standing Committee's own working report, as well as approving various personnel removals and appointments (*ZXS*, 28 February).

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

Following the opening of the Fifth Session of the Ninth NPC on 5 March, the Chinese Premier, Zhu Rongji, presented his government work report for 2001. He began by reviewing the successes of the previous year, drawing special attention to the maintenance of buoyant economic progress in the face of difficulties associated with a slowing global economy. Against the background of efforts to expand domestic demand, and to maintain a proactive financial policy and a stable monetary policy, GDP grew by 7.3 per cent in 2001, reaching 9.5933 trillion *yuan*. Economic restructuring also progressed, not least in agriculture and high-tech industries, and *qualitative* economic improvements were also in evidence, with total profits of large-scale SOEs rising by 8.1 per cent. (For more a comprehensive review of China's economic performance, see (d) below.) Zhu directly attributed China's economic success to the "correct policy decisions and timely measures" taken by the CCPCC under Jiang Zemin.

Nevertheless, the Chinese Premier conceded that serious economic and social problems remained. The most important of these formed a largely familiar litany. They included: the slow growth – in the case of some grain cultivators, negative growth – of peasant incomes; localized high levels of wage arrears; the persistence of local protectionism; enterprise deficiencies; the irrationality of China's industrial structure; rising unemployment; and deteriorating environmental conditions. Such problems were exacerbated by malpractice among cadres, such as "rampant … formalism and bureaucracy … deception, extravagance, and waste … and corrupt phenomena." Fiscal indiscipline, breakdowns of law and order and a high incidence of industrial accidents were additional problems.

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Zhu suggested that constraining factors – the "complicated" international situation, slowing global economic growth, increasing competitiveness, the emergence of trade protectionism – lent uncertainty to China's development prospects in 2002. The basic guideline for the coming year was to take "Deng Xiaoping Theory … the spirit of the 15th Party Congress … Jiang Zemin's 1 July important speech … the spirit of the fifth and sixth sessions of the 15th Party Central Committee" as the means whereby economic and social stability would be maintained in the face of such difficulties.

The Chinese Premier identified several critical issues to be addressed in 2002. The first was to expand domestic demand in order to sustain rapid economic growth ("under the current grim international economic situation, expanding domestic demand is a fundamental plan for realizing a relatively rapid economic growth to further stimulate both consumption and investment"). To this end, efforts would be made to raise urban and rural – especially crop farmers' – purchasing power and incomes; in cities, an urgent requirement was to enhance social security arrangements, including reimbursing unpaid wages and making appropriate transfer payments and subsidies. Efforts were also required to encourage higher consumption – for example, by raising spending on housing, tourism, telecommunications and "cultural activities."

An associated high priority was to stimulate employment and re-employment through job creation schemes. Such schemes should be "elastic, flexible, and diversified," embracing the development of labour-intensive industries (including small and medium-sized enterprises) and services. Labour market reform, including encouragement of self-employment, was another means towards the same end.

Zhu acknowledged the continuing role of treasury bond issues in order to stimulate fixed investment. Through the issue of long-term bonds, 150 billion *yuan* would be generated for construction projects in 2002. This would be used for a wide variety of purposes, including the implementation of development projects in Western China, technological transformation of key enterprises, south-to-north water diversion, water conservation in Beijing and Tianjin, rural infrastructural construction, and the creation of new facilities for higher education, and for procuratorial, judicial and public security organs. Efforts would also be made to ensure the proper and rational use of investment funds, and the prevention of inefficient and redundant construction work.

Allied to such efforts was the need to improve financial, fiscal and monetary policies. Better administration of tax work would help minimize tax evasion and fraud. By the same token, fiscal spending must be rationalized in order to prioritize funding projects properly. No less important was the need to put in place a rational mechanism for distributing government revenue, and Zhu revealed that starting in 2002, income tax revenue would be shared between central and local governments on the basis of a fixed ratio (any unexpected additional revenue received by the central government from income tax receipts being used as "general transfer payments" to local governments, especially in Central and West-

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ern China). Meanwhile, financial reforms would continue in an attempt to further improve the operational efficiency of financial institutions. In particular, Zhu called on banks to "adjust their credit structure to give priority to projects financed by treasury bonds, agricultural restructuring, technological upgrading of enterprises, and development of small and medium-sized enterprises, especially those using advanced technologies."

Yet again, the government work report placed a high premium on agricultural and rural development, with special emphasis placed on the need to raise farm incomes. The means to these ends would embrace accelerated restructuring of the farm and rural economies, and the "industrial management" of farming. Modernization and a pattern of agricultural development dictated by the principle of regional comparative advantage were fundamental to China's farm strategy. Hence, advocacy of "the use of improved crop strains and advanced technology … the development of high quality, special-purpose and pollution-free agricultural products and … [the adjustment and optimization of] agricultural production in light of regional advantages."

Meanwhile, measures to be introduced in order to stimulate rises in farm incomes would include: returning more arable land to forest use; deepening the "rural fee-to-tax reform" and adjusting the system of grain and cotton distribution; and widening the sources of peasant incomes through the accelerated development of rural secondary and tertiary industries. Underlying such initiatives was the understanding that urbanization would continue, as would the diversion of rural workers to non-agricultural activities in the countryside.

Zhu insisted that further economic restructuring and "system reform" were essential conditions of sustained economic growth. In this context, he drew particular attention to three core tasks. The first was to accelerate the work of optimizing, renovating and upgrading industrial structures through the application of new and high technologies and advanced applied technologies to transform and upgrade traditional industries – tasks whose fulfilment implied the reduction of surplus and outdated production capacity, where appropriate. The second was to promote the development of information, biology, new materials, and other high and new technology industries. The third was to foster the development of the tertiary sector – especially modern service trades, such as banking, accounting, consulting and legal services. As with agriculture, Zhu was at pains to stress the importance of the principle of regional comparative advantage in implementing economic restructuring policies.

On SOEs, Zhu acknowledged that despite significant progress during the previous three years, major difficulties persisted. In summary, the objectives of SOE reform were: to establish a "modern corporate system;" to intensify enterprise restructuring and reorganization in order to generate large-scale internationally-competitive companies or enterprise groups; to deal in a systematic way with enterprise bankruptcies and mergers (including making proper arrangements for laid-off workers); to accelerate the reform of monopoly industries (e.g. telecommunications, power and civil aviation) in order to improve their competitiveness.

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Meanwhile, the main institutional thrust of enterprise policy would remain to "uphold the basic economic system of keeping public ownership in a dominant position and letting diverse forms of ownership develop side by side."

The government report explicitly acknowledged the major challenge posed by China's accession to the World Trade Organization (WTO). The government's commitment to abide by WTO rules had already been signalled by legislative initiatives and the reduction, as of 1 January 2002, of China's general tariff level – affecting over 5,300 items – from 15.3 to 12 per cent. Efforts would continue towards improving the legislative framework in order to accommodate WTO rules, side by side with opening up more economic activities to foreign involvement. New overseas markets for Chinese products would be opened up alongside existing ones, with continuing emphasis placed on improving export quality. The government would seek too to increase foreign investment, especially in order to acquire "advanced technology, modern managerial expertise and qualified specialists."

Zhu also called for further improvements in market order. He urged the adoption of strict measures to combat tax fraud, the violation of foreign exchange rules, and "illegal and criminal activities related to the production and sale of counterfeit and shoddy goods." The rectification of financial order was another high priority, as were efforts to eliminate local protectionism and industrial monopolistic powers.

In addition to the promotion of science and education, Zhu drew attention to the important need to generate further improvements in government work style. Such work would embrace a rationalization of government functions ("we [must] shake off the fetters of the traditional planned economy, and earnestly transform government functions into economic regulation, market supervision, social management, and public service"). It would also involve the inculcation of appropriate ethics and recourse to proper legal sanctions in order to ensure that "governments at all levels and all cadres … stay honest and clean and abide by the law." Maintenance of social order and national security required too that strict action was taken to oppose all "criminal activities perpetrated by forces of terrorism, religious extremism and ethnic separatism" (including combating *falungong* and other "cults").

After expressing his confidence in the future development of Hong Kong and Macau, the Chinese Premier reaffirmed his government's commitment to seeking peaceful reunification with Taiwan on the basis of the principle of "one country, two systems" and Jiang Zemin's 1995 eight-point proposal. On the basis of the "one China principle," Beijing hoped for a resumption of cross-strait dialogue and the establishment of the three direct links at an early date. By the same token, the Chinese government remained adamantly opposed to "Taiwan independence."

Zhu argued that international conditions were characterized by "overall peace and local warfare, overall relaxation and local tension, and overall stability and local turbulence." China's own diplomatic relations had improved significantly, not least vis-à-vis the USA, Russia, the European

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Union and Japan. Its ties with ASEAN, both Koreas, South Asia, and African, Latin American and Islamic countries had also achieved new progress. In the coming year, China would maintain its peaceful orientation in foreign policy, seeking, on the basis of the Five Principles of Peaceful Co-existence to "strengthen … solidarity and co-operation with other developing countries, further consolidate and deepen good-neighbourly friendship and co-operation with surrounding countries, and continue to improve and develop our relations with developed countries." It would also lend active support to the activities of the United Nations (quotations from Zhu's government work report are taken from the BBC's monitored report of the broadcast by China Central TV on 5 March; for further comment, see *ZXS*, 5 March and XHNA, 5, 6 and 8 March; and for suggested amendments to the work report, XHNA, 15 March).

On 17 March, Xinhua published the full text of the budget report, delivered by Xiang Huaicheng (Minister of Finance) on 6 March. He noted that despite difficult conditions revenue in 2001 had risen "considerably," and a more rational pattern of spending had emerged. The preliminary realized spending and expenditure estimates for 2001 provided by Xiang are shown in Table 1.

Table 1: **National and Central Budgetary Estimates (2001 Actual) (figures in billion *yuan*)**

	National consolidated budget
Total revenue*	1,6371
change over 2000 (actual)	+ 297.6 (+ 22.2%)
change over 2000 (plan)	+ 161.1
Total expenditure	1,8844
change over 2000 (actual)	+ 295.7 (+ 18.6%)
change over 2000 (plan)	+ 148.6
National budget deficit	− 247.3
	Central budget
Total revenue	917.1
change over 2000 (actual)	+ 158.3 (+ 20.9%)
change over 2000 (plan)	+ 74.8
Total expenditure	1,1769
change over 2000 (actual)	n.a.
change over 2000 (plan)	+ 74.8
Central budget deficit	− 259.8
	Local budget
Total revenue	1,381
change over 2000 (actual)	+ 273.7 (24.7%)
change over 2000 (plan)	+ 170.2
Total expenditure	1,368
change over 2000 (actual)	n.a.
change over 2000 (plan)	+ 157.7
Local budget surplus	+ 12.5

Note:
* excluding revenue from generation of debt, both here and below.

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Xiang praised the effectiveness of China's proactive fiscal policy – and its role in promoting domestic demand – and the positive impact of the issue of 150 billion *yuan* of long-term treasury bonds in support of infrastructural construction (including the implementation of major development projects in Western China). Treasury bond funds were also directed to 781 technological transformation projects launched by key SOEs in the form of subsidies on interest payments from bank loans.

Xiang also defended the rise in the central budgetary deficit and the national debt, pointing out that the former accounted for 2.7 per cent of GDP, while outstanding debts totalled 1.5608 trillion *yuan* (16.3 per cent of GDP) – both within "safe limits." The budgetary plans for 2002 as outlined by Xiang are shown in Table 2.

In support of these figures, Xiang insisted that projected revenues had been set at realistic levels. He committed himself to the maintenance of China's proactive fiscal policy and undertook to provide adequate funding to meet social security, wage and salary demands (thereby preserving social stability). He also gave an undertaking to raise investment in agriculture, and science and education. The thrust of reform measures would be threefold: to further facilitate the separate management of revenue and expenditures and "standardize the collection and use of budgetary funds;" to promote budgetary reform in order to strengthen

Table 2: **National and Central Budgetary Estimates* (2002 Plan) (figures in billion *yuan*)**

	National consolidated budget
Total revenue*	1,065
change over 2000	+ 76.5 (+ 7.7%)
Total expenditure	1,884
change over 2000 (actual)	+ 295.7 (+ 18.6%)
National budget deficit	− 309.8
	Central budget
Total revenue	1,065
change over 2000	+ 76.5 (+ 7.7%)
Total expenditure	1,374
change over 2000	+ 126.5 (+ 10.1%)
Central budget deficit	− 309.8
	Local budget
Total revenue	1,531
change over 2000	+ 149.7 (10.8%)
Total expenditure	1,531
change over 2000	+ 164.4 (+ 10.0%)
Local budget surplus/deficit	0

Note:
* The XHNA report notes that "the figures for 2001 have been adjusted for convenient comparison according to the reform plan for income tax sharing, which will actually begin in 2002 when the growth rate is calculated."

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budgetary control; and to adjust the method of sharing income tax revenue in order to facilitate co-ordinated *regional* economic development (XHNA, 17 March).

Also on 6 March, Zeng Peiyan (Minister in Charge of the State Development Planning Commission) delivered his report on China's 2001 (realized) and 2002 (planned) economic and social development (XHNA, 17 March). His comments on China's performance in 2001 echoed the findings of the National Bureau's Statistical Communiqué (see (d) below). His positive assessment of 2001 derived from perceived success in the following areas: maintenance of proactive fiscal and prudent monetary policies; continued industrial restructuring; intensification of SOE reform; initial headway made in "rectifying and standardizing market order [through] efforts to implement temporary solutions while seeking permanent solutions and focusing on the most crucial problems;" further opening of the economy; continued pursuit of development of Western China; the further application of modern science and technology to economic development; and success in raising both urban and rural incomes. Zeng set out the targets shown in Table 3 for 2002.

On 9 March, Li Peng delivered his report on the work of the NPC Standing Committee. He began by affirming "Deng Xiaoping Theory and the Party's basic line and … [Jiang Zemin's] 'three representations' " as the guiding principles underlining the Standing Committee's activities. He spoke of further legislative progress having been made in 2001, the NPC Standing Committee having examined 30 law-related motions and passed 16 laws, thereby helping towards the preliminary establishment of a "socialist legal system with Chinese characteristics." The Committee had also ratified ten international treaties and conventions. Given China's recent accession to the WTO, especially noteworthy were the enactment of the Trust Law, and a revised Trademark Law and Copyright Law – legislative initiatives that had "more or less completed the process of revising relevant laws prior to the WTO entry." Li also drew particular attention to the new Law on Population and Family Planning, which, he said, would have a "profound and far-reaching impact on effectively controlling the size of population and improving the quality of births." At the same time, Li acknowledged the persistence of problems associated with the Standing Committee's work – legislative progress still lagged

Table 3: **Targets for National Economic and Social Development in 2002**

GDP	+ 7.0%
Fixed asset investment	+ 10.0%
Consumer price index	+ 1.0–2.0%
Central budget deficit	< 309.8 billion *yuan*
M1 money supply	+ 13.0%
M2 money supply	+ 13.0%
Population (natural increase)	< 0.8%

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behind requirements and some areas of supervisory work remained deficient.

Priorities for 2002 were as follows: to improve the quality and timeliness of legislative work; to enhance the Standing Committee's supervisory functions and activities; to accommodate developments in China's foreign affairs; to "make a success of deputies-related work and work related to change-of-term elections;" and to strengthen propaganda on and education in the legal system (XHNA, 18 March).

On 11 March, Xiao Yang (President of the Supreme People's Court) delivered the Court's work report. He reported that in 2001, the Supreme People's Court had tried 3,047 cases of all descriptions, issued 34 judicial interpretations, and handled letters and visits from 152,557 people. People's courts at all levels had additionally tried 5,927,660 cases: of these 729,958 (12.3 per cent) were criminal cases – 340,571 of a "serious nature" – and 5,076,694 (85.64 per cent) were civil cases; the remaining 2.05 per cent constituted administrative cases. Serious criminal trials resulted in 150,913 convicted persons receiving death sentences, life imprisonment or gaol sentences of five or more years (15.07 per cent above the 2000 level). Economic crime remained serious and people's courts tried 14,953 cases of serious sabotage of market and economic order resulting in 19,927 persons being sentenced and economic losses valued at 2.23 billion *yuan* being recovered.

Among the initiatives announced in the report were the introduction of a legal aid system to enable impecunious litigants to file lawsuits at reduced, postponed or zero cost; and the provision of defence counsels and legal representatives for blind, deaf or mute litigants. In 2001, legal aid of 839 million *yuan* had been made available in over 300,000 cases. Xiao Yang also spoke of an agreement having been reached with courts in Hong Kong and Macau SARs, whereby the two sides could entrust and deliver court files to and collect evidence for each other in civil and commercial trials.

Priorities for 2002 included the inculcation of a "stronger sense of official duties and … judicial impartiality … a stronger sense of service and advocating judicial civilization … [and] … a stronger sense of innovation and furthering [of] judicial reform." Xiao Yang called too for improvements in judicial efficiency and further court reform, and urged the strengthening of the ranks of judges in order to secure "clean and honest judicial operation" (XHNA, 19 March).

Finally, also on 11 March, Han Zhubin (President of the Supreme People's Procuratorate) presented a report, which revealed that in 2001, people's procuratorates at all levels had investigated 36,447 corruption cases involving 40,195 people and funds worth more than 4.1 billion *yuan*. The number of cases involving one million or more *yuan* was 1,319 and those implicated numbered 9,452 (including 2,670 officials at or above county level, and six officials at provincial and/or ministerial level – one such being Li Jiating, the former Governor of Yunnan Province). Han stated that procuratorial priorities were still those of "cracking down

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on crime, advancing the anti-corruption struggle, and intensifying litigation supervision" (XHNA, 11 March).

A *People's Daily* editorial duly and eulogistically commented on the "complete success" of the most recent session of the Fifth NPC:

> Guided by Deng Xiaoping Theory, the session comprehensively implemented Comrade Jiang Zemin's important "three-representations" ideologies, meticulously took into account new changes in domestic and international situations, and made all-round arrangements to facilitate China's reform and construction in 2002 after summarizing last year's work … [In the face of domestic and international challenges] unified will, sincere unity, high-spirited morale, and concrete work are important guarantees for us to continually attain victory in our undertakings. In accordance with the CCP Central Committee's plans and regarding economic construction as the central task, we should continually deepen reform, open up wider to the outside world, uphold the policy of expanding domestic demand, expedite restructuring, rectify and standardize the order of the market economy, and upgrade the quality and efficiency of China's economic growth so as to facilitate a sustained, rapid, and healthy development of the national economy and all-round social progress … With the guidance of Deng Xiaoping Theory, under the correct leadership of the CCP Central Committee with Comrade Jiang Zemin at the core, with a superior socialist system and stable social environment, with the foundation where China has been gradually strengthening its comprehensive national strength and been accumulating development experiences, and with the solid unity of all the Chinese people of various nationalities and the combined forces of one heart and one mind, we will definitely be able to eliminate risks and difficulties along the path of our progress, and continually attain new victories in China's reform, opening up, and socialist modernization drive" (*RMRB* quoted by XHNA, 5 March).

The Ninth National Committee of the Chinese People's Political Consultative Conference (CPPCC), China's top advisory body, opened its fifth session on 3 March (top Party and state leaders Jiang Zemin, Li Peng, Zhu Rongji, Hu Jintao, Wei Jianxing and Li Lanqing were present). It closed on 13 March.

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

In January, Hu Jintao addressed a national conference of propaganda department heads and urged the implementation of appropriate measures in order to inculcate a firm ideological foundation for accomplishing ongoing tasks of reform, opening up and modernization – and, in particular, for the "victorious convocation" of the 16th CCP National Congress. He paid lip service to propaganda and ideological achievements, stressing that "unity of thinking is the precondition for unity in action" and, in particular, demanding the further study and implementation of Jiang Zemin's 1 July speech and his "important thinking of 'three representations.' " He also highlighted the core values of the CCP's "basic theory, basic line and basic programme … patriotism, collectivism, socialism" (XHNA, 11 January).

People's Daily spoke of the need to further strengthen and improve

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Party members' work style and, in particular, to rationalize the time spent organizing and participating in conferences. The article was explicit in its criticism of the problem of "excessive conferences and documents," pointing out that some institutions and individuals retained an insufficient understanding of the "seriousness and harm of 'mountains of documents and seas of conferences' " and the associated damage that it did to the image of both Party and government, and to the relationship between both and the masses. It urged leading cadres to eschew their "formalistic and bureaucratic" behaviour and instead to act as role models of efficiency. It also called for intensification of supervision and implementation of relevant guidelines and rules (*RMRB*, 21 January).

Qiushi (*Seeking Truth*) noted that some leading Party cadres still abused their power for personal gain (including cash), while others "regard their power as 'capital,' seek a life of pleasure, and spend money in extravagant fashion in pursuit of unhealthy life style;" others again were guilty of serious bureaucratism, seeking merely to "hold onto power without undertaking responsibilities and obligations … causing serious losses to life and property." It called for better legal supervision in order to ensure the proper exercise of power by Party cadres – especially those at senior levels where corruption was particularly serious ("most corruption such as graft and bribery occurs among Party-member cadres holding leadership posts") (*Qiushi* website, 16 January; and see *Qiushi*, 1 February).

Wei Jianxing told the Seventh Plenum of the CCP Central Disciplinary Inspection Commission (CDIC) that 175,364 people, including 16 provincial and ministerial-level officials had been punished by disciplinary inspection and supervision departments during 2001. He revealed that January–November 2001, the relevant authorities had also uncovered 174,633 corruption cases, and confiscated cash and securities worth 250 million *yuan* from corrupt officials (over 1,400 people being punished for accepting illegal payments). Such figures, he said, attested to the success of anti-corruption efforts, designed to improve Party style and put in place clean government (XHNA, 23 January).

Jiang Zemin himself addressed the CDIC (25 January). He called especially for greater efforts to be directed towards improving Party leadership ("Party members [should not] become degenerates") and the Party's "competence as the ruling party." In a reference to leading cadres, he said that:

> the most fundamental requirement for them to build a strong ideological and political foundation and a strong ideological and political defence line is that they must firmly uphold the Marxist world outlook and the concepts of life and values, and that they must firmly establish a correct concept of powers, positions, and benefits … To have a correct concept of powers, the most fundamental requirement for them is that they must properly address the issue of maintaining the party's flesh-and-blood ties with the masses.

To ignore these precepts was to risk losing mass support from the people. Hence, the need to grasp properly the "basic tenets of dialectical

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materialism and historical materialism" in order to inculcate the attitude of serving the people (XHNA, 25 January).

Meanwhile, it was reported that the CCDI had formulated even stricter measures in an attempt to improve the Party's work style and prevent corruption among leading officials. To these ends, more rigorous supervision and inspection would be used to ensure the honesty of leading officials, and greater efforts directed towards major corruption cases ("especially in the fields of finance, securities, real estate, personnel and judiciary work"). Those found guilty of economic corruption (e.g. the imposition of excessive levies on farmers) and violations of political discipline would be severely punished (*ibid*).

A circular issued by the CCP Central Committee's (CCPCC) Organization Department urged organization departments of Party committees at all levels to give due attention to the "spirit" of the recent CDIC session and to study Jiang's speech at the meeting in order to enhance understanding of "firmly establishing a correct concept of power by leading cadres for solving the fundamental question of always maintaining the Party's flesh-and-blood ties with the masses." It called on cadres to "resolutely do away with the sense of 'taking one's official status as the only criterion for judging one's social worth,' to eliminate the influence of the feudalist vestiges, calmly deal with their promotions, demotions, departure, or stay, and accept the choice made by the Party and the people for them" (XHNA, 29 January).

The following month, Zhu Rongji took up the theme of anti-corruption work in a speech that again acknowledged the persistence of many problems associated with the ongoing task of promoting clean government. He referred to serious cases of discipline violations, fraud, the abuse of power for private gain, the giving and taking of bribes, and the failure by government departments and personnel to enforce laws properly. In the face of such problems, Zhu echoed Jiang's demands for stricter supervision and called for the separation, as appropriate, of government from enterprise and market management. He drew particular attention to the need to fulfil three requirements: to "[separate] the function of revenue management from the function of expenditure management in all government institutions;" to accelerate reform of the administrative examination and approval system in order to transform "government functionality … and promote clean government and combat corruption;" and to "strictly regularize and implement the tender invitation system" (XHNA, 20 February).

(d) *Statistical Communiqué on National Economic and Social Development during 2001*

[**Notes**: The figures showing percentage changes in production over 2000 are taken verbatim from the National Bureau of Statistics [NBS] communiqué (in Chinese: www.sneb.com.cn). They do not always coincide with the estimates which would be obtained from data shown in the State Statistical Bureau 2000 communiqué and cited in "Quarterly Chronicle" in *CQ*, No.166 (June 2001), pp. 543–48.

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Data in square brackets show percentage increases for 2000 and are included for comparative purposes.]

Details of the State Statistical Bureau's most recent communiqué were made available on 28 February. The preamble to the communiqué spoke of considerable success having been achieved during 2001 – the first year of China's Tenth Five-Year Plan (2001–2005) in stimulating domestic demand, accelerating economic restructuring and further opening up the Chinese economy – all this against the background of "unfavourable factors associated with complicated international political and economic conditions." Preliminary statistics indicated a rise in GDP of 7.3 per cent in 2001 (*cf.* 8.0 and 7.1 per cent in 2000 and 1999) to reach 9.5933 trillion *yuan*. As in previous recent years, all three major sectors shared in this performance, although industrial growth (8.7 per cent) again outstripped that of both agriculture (2.8 per cent) and services (7.4 per cent).

As usual, following the litany of economic successes, the communiqué acknowledged the persistence of serious problems in 2001. Many of these were identical to those cited in the previous year's communiqué. They included structural "contradictions" and a deep systemic malaise, increasing employment pressures, slow growth of farm incomes, and difficulties for some in making ends meet. Enterprise management and market order were deficient, and some enterprises still faced quite serious production problems. Local protectionism was also in evidence.

The main features of China's economic performance during 2001 are summarized below:

Agriculture: there was a mild acceleration of farm growth in 2001, the rate of expansion of agricultural gross value output rising from 2.4 to 2.8 per cent.

Against the background, in 2000, of a sharp fall (by 9 per cent) in grain output – this following a series of bumper record harvests – total grain production in 2001 once again declined (by 2.1 per cent). The communiqué did not, however, hint at any problem of food security. The production of major agricultural items is shown in Table 4.

Concealed in these figures were small declines in the sown areas of grain and oilseed crops, but an expansion of those under cotton, sugar and vegetables. The process of afforestation was given impetus by the return of 400,000 ha. of arable land to tree planting. Overall, the newly afforested area was extended by 5.3 million hectares in 2001 (a rise of 3.8 per cent above that of 2000). There were also further significant rises in the output of meat (by 3.5 [5.4] per cent) to reach 63.4 million tons; and of fish (by 2.3 [4.1] per cent) to 43.75 million tons.

Industry: Table 5 provides an overview of China's industrial performance in 2001.

High-tech industries showed accelerated growth, while the value-added of industries producing new products rose by 15.7 per cent. There was

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Table 4: **Output of Major Agricultural Products, 2001**

	Total output 2001 (m. tons)	*% change over 2000*
Food grains	452.62	− 2.1
Cotton	5.32	20.4
Oil-bearing crops	28.72	− 2.8
(Peanuts)	14.47	0.2
(Rapeseed)	11.32	− 0.5
Sugar cane	77.00	12.8
Sugar beet	10.90	35.0
Cured tobacco	2.04	− 8.8
Tea	0.69	1.0
Jute, ambary hemp	0.11	− 12.7
Fruit	65.36	5.0

also quite rapid growth of the construction industry and a deepening of SOE reform. Production indicators of some important industrial products are shown in Table 6.

Fixed investment: in 2001, the growth of fixed asset investment accelerated, registering an annual rate of expansion of 12.1 per cent [9.3]. Disaggregate data showed that the corresponding figure for state-owned units was 12.8 [9.2] per cent – significantly faster than that of collectively-owned units (8.1 per cent). A breakdown of fixed investment by sector revealed no change for investment in primary activities, but an increase of 7.8 and 17.6 per cent respectively for the secondary and

Table 5: **Major Indicators of Industrial Performance, 2001**

	% rise in 2001	*% rise in 2000*
Industrial value-added	8.9	9.9
light industry	8.6	9.5
heavy industry	11.1	13.0
Value-added of:		
state-owned industry	11.1	11.4
collective industry	7.2	7.4
foreign-funded enterprises (including Hong Kong, Macao and Taiwan)	11.9	14.6

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Table 6: **Output of Major Industrial Items, 2001**

	Total output 2001	*% change over 2000*
Light industry		
Cotton yarn	7.00 m. tons	+ 6.4
Cloth	29.10 b. metres	+ 4.8
Sugar	6.19 m. tons	− 11.5
Cigarettes	34.02 m. boxes	+ 0.2
Colour TV sets	39.67 m. units	+ 0.8
Refrigerators	13.49 m. units	+ 5.5
Heavy industry		
Total energy (standard fuel equivalent)	1.17 b. tons	+ 8.4
Coal	1.11 b. tons	+ 10.9
Crude oil	165.00 m. tons	+ 1.3
Electricity	1.49 b. kWh	+ 9.0
Steel	152.66 m. tons	+ 18.8
Rolled steel	157.45 m. tons	+ 19.8
Cement	640.00 m. tons	+ 7.2
Timber	51.00 m. cu. m.	+ 13.3
Chemical fertilizers	33.97 m. tons	+ 6.6
Power-generating equipment	13.39 m. kW	+ 7.2
Tractors	0.38 m. units	− 7.8
Motor vehicles	2.33 m. units	+ 12.8
Cars	0.70 m. units	+ 16.0
Integrated circuits	6.36 b. units	+ 8.2
Programme controlled switchboards	72.23 m. lines	+ 1.2

tertiary sectors. In terms of geographical regions, the most rapid rate of fixed investment was attained in Western China (up 19.3 [14.4] per cent), followed by Central China (16.3 [13.8] per cent) and Eastern China (a mere 1.3 [8.3] per cent).

Transport and telecommunications: there was a further increase – by 6.0 [7.9] per cent – in passenger traffic during 2001. Passenger air traffic rose by 12.5 [16.2] per cent, compared with 5.2 [8.5] per cent by rail and 5.8 [6.5] per cent by road; water passenger traffic suffered a further decline (by 5.6 [− 3.1] per cent). Freight traffic rose by 4.7 [7 1] per cent, this figure reflecting a 6.7 per cent rise for rail freight, 4.7 per cent by water, 3.8 per cent by air and 0.8 per cent by road. The volume of cargo handled at major coastal ports increased by 8.8 [21.7] per cent to reach 2.4 billion tons (foreign trade accounting for 0.6 billion tons of this).

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Table 7: **Changes in the Consumer Prices of Selected Goods, 2001**

	Annual % change, 2001 (corresponding figures for 2000 in brackets)
Food	0 (− 2.6)
Grain	− 0.7 (− 11.4)
Fresh vegetables	+ 1.4 (− 5.5)
Aquatic products	− 2.9 (+ 1.7)
Meat, poultry, etc.	+ 1.6 (+ 1.5)
Clothing	− 1.1 (− 0.1)
Household appliances	− 2.3 (− 2.3)
Medicines	0 (+ 0.3)
Transport and communications	− 1.0
Entertainment, education, culture	+ 6.6
Housing	+ 1.2 (+ 4.8)

Posts and telecommunications were again a major growth area, although not on the scale of previous years. Thus, following four consecutive years in which the value of such activities had risen, on average, by more than 30 per cent annually, in 2001 the corresponding figure was 24 [41.9] per cent.

Domestic trade: overall, in 2001, retail sales of consumer goods rose by 10.1 [11.4] per cent in real terms (11.5 [10.6] per cent in the cities, and 7.7 [8.3] per cent in rural areas). The value of wholesale transactions increased by 10.7 per cent. Consumer prices rose by 0.7 [0.4] per cent – 0.7 per cent in urban areas, and 0.8 per cent in rural areas. More disaggregated data on price changes are shown in Table 7.

Foreign trade and external relations: the rate of growth of China's foreign trade slowed significantly in 2001, the combined value of exports and imports rising by 7.5 [31.5] per cent to reach US$509.8 billion. The value of China's exports was US$266.2 billion (up by 6.8 per cent [27.8 per cent]), while imports increased by 8.2 [35.8] per cent to US$243.6 billion. The net outcome was to generate a merchandise trade surplus of US$22.6 billion [US$24.1 billion]. A geographical breakdown of China's exports is shown in Table 8.

There were further increases in inflows of both contracted and utilized foreign direct investment in 2001 – by 10.4 [51.3] per cent and 14.9 [1.0] per cent respectively.

Banking and insurance: the NBS Communiqué noted that at the end of 2001 savings deposits lodged in all kinds of financial institutions totalled 14,362 [12,380] trillion *yuan* (16.0 [13.8] per cent higher than at the end

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Table 8: **Foreign Trade Performance, 2001**

Country or Region	*Value of Chinese exports (US$ billion)*	*% change over 2000*
USA	54.3	+ 4.2
Hong Kong SAR	46.5	+ 4.6
Japan	45.0	+ 7.9
European Union	40.9	+ 7.1
South Korea	12.5	+ 10.9
Russia	2.7	+ 21.4
Latin America	8.2	+ 14.6
Africa	6.0	+ 19.1

of 2000), 16.9 [18.6] per cent more for enterprises, and 14.7 [7.9] per cent more for urban and rural savers.

Currency in circulation (M0) rose by 7.1 [8.9] per cent; the corresponding figures for narrow (M1) and broad (M2) money were 12.7 [16.0] and 14.4 [12.3] per cent.

Welfare and living standards: per capita cash disposable income of urban residents reached 6,860 [6,280] *yuan* in 2001 (a real rise of 8.5 [6.4] per cent over 2000). Rural residents' average per capita net income was, by contrast, only 2,366 [2,253] *yuan* – 4.2 [2.1] per cent more in real terms than in the previous year. Despite the faster growth of rural incomes, the urban–rural income gap increased from 4,027 to 4,494 *yuan*.

In 2001, China's total workforce rose by 9.4 [5.64] million to reach 730.25 [711.56] million. Of this, the urban workforce numbered 239.4 [212.74] million – a rise of 7.89 [2.6] millions. The number of SOE workers laid off during the same period was 5.15 [6.57] million – 1.42 million less than in 2000. At the end of the year, the official rate of registered urban unemployment was 3.6 [3.1] per cent.

Population: China's total population at the end of 2001 was 1,276.27 million (urban population, 480.64 million, or 37.7 per cent of the total; rural population, 795.63 million or 62.3 per cent). Vital rates for 2001 are shown in Table 9.

Table 9: **Vital Population Rates, 2001**

	Per thousand
Birth rate	13.38
Death rate	6.43
Natural increase	6.95

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(e) *Economic Affairs*

The veracity of official Chinese statistics attracted much attention in China and elsewhere during the quarter. The Director of the National Bureau of Statistics (NBS), Zhu Zhixin, warned against statistical falsification, exaggeration and "trickery," and called on statistics departments to display "a high sense of responsibility to the Party, the country and the people, a materialist spirit of not simply going by the higher-ups or by the book but by the facts, and a meticulous and perfection-seeking attitude to strive to attain accuracy in statistical data … " He revealed that in 2001, allegations had been made of 60,000 violations of the Law of Statistics, of which almost 20,000 were placed on file for investigation and prosecution (XHNA, 3 March; see also Zhu Zhixin, quoted by *ZXS*, 28 February).

The economic statistics shown in Table 10 for the period 1997–2001 were made available by the National Bureau of Statistics (NBS) (XHNA, 3 January).

Table 10: **Annual Rates of Growth, 1997–2001 (%)**

	1997	*1998*	*1999*	*2000*	*2001*
GDP	8.8	7.8	7.1	8.0	7.3
Total retail sales	10.7	9.7	10.0	9.8	10.1*
Fixed asset investment	9.0	15.0	7.8	11.7	16.3*
Merchandise trade	12.1	− 0.4	11.3	31.5	7.4*
Exports	20.9	0.5	6.1	27.8	6.3*
Imports	2.5	− 1.5	18.2	35.8	8.6
FDI	8.5	0.7	− 11.4	0.9	15.6
Foreign exchange reserves (US$ billion)	139.9	144.5	154.7	165.6	203.0**

Note:
* Data for January-November only.
** Data as of end-October.

The 2002 Central Rural Work Conference held in Beijing in January gave special attention to plans for agricultural restructuring and increases in farmers' incomes. Against the background of a "grim world economic situation," the need to expand domestic demand was paramount – a process in which raising farmers' incomes and rural purchasing power had a key role to play. Stagnant farm incomes and constrained rural purchasing power had contributed significantly to the "softness" of domestic demand in recent years. Meanwhile, agricultural development in China was entering a new stage, characterized by the emergence of difficulties in selling farm products, the depressed nature of farm prices and new "grim" challenges posed by entry into the WTO.

A NBS report stated that in 2001, Chinese farmers' per capita consumption was, on average, 1,741 *yuan* (71 *yuan* or 3.4 per cent above the 2000 level). Only 47.8 per cent of this was spent on food (1.3 per cent less than

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in 2000), with the rest allocated to housing, communications and telecommunications. With self-consumption of food falling, cash accounted for 78.3 per cent of total consumption – a decline of 1.4 per cent. The extent of intra-personal differentials was suggested by the finding that the lowest farm income group spent 992 *yuan* per capita (a rise of only 1.5 per cent), compared with 3,308 *yuan* (up 7.2 per cent) for the highest income category. Regional gaps were also wide and the NBS report noted that "an average farmer in the prosperous eastern part of China spent [70 per cent] more than a farmer in the relatively underdeveloped western areas" (XHNA, 12 March).

The social and political, as well as the economic implications of a failure to generate agricultural growth were made clear at the Conference. Thus:

> farmers account for the absolute majority of our population. This is China's most basic national condition. If agriculture is prosperous, all industries will prosper. If farmers are rich, the whole nation will be rich. And if the rural areas are stable, the whole country will be stable. Caring for farmers and supporting agriculture is not only an immediate need, but also a strategic matter. It is not only an economic matter, but also a political one. This is a major principle, as well as a party tradition. Our past steady revolution and construction successes were due to our full trust in and reliance on farmers, to our always having paid attention to defending the material interests of farmers and safeguarding the democratic rights of farmers. So to consolidate our regime, enrich farmers, and strengthen the nation in the future, we are going to have to adhere to that principle over the long term (XHNA, 7 January).

In a speech to the National Agricultural Work Conference (January), Du Qinglin (Minister of Agriculture) stressed the priority issue in 2002 of facilitating agriculture's adjustment to the demands of the WTO. In the interests of guaranteeing grain security and national economic security, he warned that China would not readily "give up … its large-scale agricultural products," nor would it fail to "protect the production of its large-scale agricultural products." At the same time, he was explicit in urging education in the sown area of "general grains" (e.g. wheat, soya bean and maize) and cotton in favour of creating "special planting zones" (e.g. for wheat in the valleys of the Huang and Huai rivers). Du also reaffirmed China's commitment to apply quota-management to farm imports, including wheat, maize and cotton, and to eliminate subsidies on farm exports.

Speaking at the same conference, an official of the Rural Department of the Development and Research Centre under the State Council argued that although land-intensive farm products were likely to face serious challenges from foreign competition because of differences in quality, yields, output scale and operating costs, the competitiveness of *labour*-intensive goods (e.g. vegetables, fruits, flowers and meats) could be maintained in international markets as long as appropriate policies were formulated for their development. (Statistics showed, for example, that China's share of global fruit output was about 15 per cent, but that exports of fruit in 2000 constituted under 2 per cent of its domestic production (XHNA, 10 January)).

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Du Qinglin predicted that against the background of a 1.9 per cent fall in output in 2001 (to 450 million tons), China's grain output in 2002 would reach 500 million tons. Du added that every percentage point decline in total grain production implied a rise of five million tons in grain imports. He reaffirmed the government's aim of maintaining no worse than a 95 per cent grain self-sufficiency rate in the 21st century (XHNA, 4 February).

Du also revealed that in 2001, 78 million farmers – 5 per cent more than in 2000 – had moved to more "economically developed areas" of the country in order to seek a living. This figure constituted 16.3 per cent of all rural labourers. Some 80 per cent of the migrants were said to have found jobs in industrial, construction, food and beverage, and service activities – their income adding significantly to farmers' overall earnings.

In a speech to a work meeting of the Central Enterprise Work Commission, Vice-Premier Wu Bangguo reaffirmed the importance of the task of reforming China's SOEs. He claimed that in recent years central enterprises had contributed much towards SOE reform – not least, in achieving record profits in 2000 and, even against the background of "grim" conditions, remaining in profit to the tune of 186.7 billion *yuan* in 2001. In addition, the study and implementation of the "three representations" had strengthened Party building in enterprises, as reflected in the improvement in the quality of their leading bodies. Progress was also being made in checking corruption.

Looking ahead to 2002, Wu's remarks highlighted the key task of strengthening the ideological and political backbone of central enterprises. To this end, he identified the following priorities: first, to continue to study and inculcate the content of Jiang Zemin's 1 July speech and his "three representations" in order to maintain the momentum of improvement in Party building in central enterprises; secondly, to ensure that leading cadres acted as proper role models ("the 'number one man' must not only assume overall responsibility for … his own unit but also subject himself, his relatives, and working personnel … to discipline"); thirdly, to improve the work of training and selection of young cadres in enterprise-leading bodies; fourthly, to ensure that enterprise leaders maintained strict political discipline in line with the requirements and guidelines of the CCPCC; finally, to maximize enterprise stability through strict adherence to social security norms and regulations (including making proper provision for laid-off and redundant workers) (XHNA, 29 January).

The poor state of safety in pursuit of economic activity was reflected in the finding that January–November 2001, 116,858 people had died in over 940,000 accidents. Of those killed, 81.5 per cent (some 95,000) had been involved in transport accidents, compared with 5,395 deaths in the coal industry (XHNA, 16 January; on industrial accidents, see also Wu Bangguo in XHNA, 7 February).

Wu Jichuan (Minister of the Information Industry) revealed that following China's entry into the WTO, the information industry ministry would revise its regulations in order to accommodate WTO rules. The

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changes were designed to offer the same treatment for domestic and overseas enterprises and "create a fair, open and just environment for information industry players from home and abroad." Wu also noted that in 2001, the value-output, sales and tax revenue of China's information industry had reached 1,350 billion *yuan*, 750 billion *yuan*, and 65 billion *yuan*. As of end-November 2001, the number of fixed telephone subscribers in China was 177 million (second highest in the world) and of mobile phone users, 140 million (ranking first worldwide) (XHNA, 8 January).

Wu Jichuan predicted that in 2002, continued growth of the information industry would give a powerful impetus to GDP growth, with the share of the sector's growth value in the nation's GDP rising from 4.2 per cent (2001) to 4.4 per cent. But he also acknowledged that difficulties in the international capital market highlighted the challenge facing China's information industry. He pointed out that market access would pose problems for telecommunications, while tariffs would become a headache for manufacturers (import tariffs for most information technology products falling to zero after China's WTO entry, and non-tariff measures gradually being phased out). He revealed that in 2002, nine electronic information product manufacturers would each enjoy a sales volume of over 20 billion *yuan* (of which two would generate sales worth more than 70 billion *yuan*) (*RMRB, Overseas Edition*, 2 February).

Internet users in China had reached 33.7 million at the end of 2001 (49.8 per cent more than a year earlier). The predictable regional bias in access to the Internet was highlighted in the finding that of 277,100 "www" websites in China, 20.6 per cent were located in Beijing, compared with a mere 0.2 per cent in Qinghai and Ningxia provinces in Western China (XHNA, 15 February).

From Harbin it was reported that for the 26th consecutive year crude oil production in the Daqing Oilfield (Heilongjiang) in 2001 had exceeded 50 million tons. As of the end of 2001, Daqing had cumulatively produced over 1.6 billion tons of crude oil and earned more than US$40 billion (XHNA, 31 December 2001).

The Mayor of Daqing (Wang Zhibin) highlighted three challenges facing Daqing Oil Field in the wake of China's WTO accession: a fall in annual crude oil production of 1.5 million tons a year resulting from its status as old production base; the impact of falling oil prices; and the implications of high production costs for China's petrochemical industry. In short, Daqing City would face heavier post-WTO pressures than other "ordinary" cities (XHNA, 13 March).

In 2001, the China National Petroleum Corporation (CNPC) generated sales revenue of 340.1 billion *yuan* and profits of 53 billion *yuan*. (US$6.4 billion). Production associated with CNPC's domestic operations was 106.53 million tons of crude oil, and 20.58 billion m.^{3} of natural gas; the corresponding figures for its overseas operations were 16.23 million tons and 930 m.^{3}, yielding sales income and profits of US$900 million and US$100 million (XHNA, 20 January).

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It was reported that China had begun preliminary work on its sixth nuclear power plant – the second to be built in Zhejiang province. On completion, the Sanmen nuclear plant would have four generators, each with a capacity of one million kilowatts (XHNA, 7 January).

Elsewhere, Xinhua reported that three new nuclear power plants were expected to begin operations in 2002: the second and third phases of the Qinshan Nuclear Power Station (Zhejiang Province), and the Ling'ao Nuclear Power Plant (Guangdong). In addition, major equipment would be installed in the Tianwan Nuclear Power Plant (Jiangsu). By 2005, eight generating units with a combined capacity of 6.6 million kilowatts – including those in the second and third phases of Qinshan, Tianwan and Ling'ao nuclear power plants were expected to be operational. The Xinhua report noted that nuclear power currently accounted for only 1 per cent of China's power supply (cf. 21.9 per cent in the USA, 33.4 per cent in Japan and 77.4 per cent in France) (XHNA, 30 January).

It was reported that in 2001, the Bank of China (BOC) had made profits of 10.8 billion *yuan*. Although domestic BOC branches raised their pre-tax profitability to 2.25 billion *yuan* (an increase of 4.7 per cent), profits made by overseas operations fell by 941 million *yuan* (down 9.85 per cent). The BOC's non-performing assets rate was estimated to be 24.17 per cent (down by 4.07 per cent). Individual *renminbi* deposits exceeded 600 billion *yuan* (XHNA, 18 January).

In January, the Chinese Finance Minister, Xiang Huaicheng, insisted that the two pay rises for personnel employed in administrative units and institutes in 2001 and the additional payment of one month's salary at the end of the year would not increase China's financial deficits (XHNA, 6 January).

Wu Xiaoling (Vice-Governor of the People's Bank of China [PBC]) described the three-phase reform process whereby the PBC would seek to accommodate the demands of WTO membership by improving the operational efficiency of SOEs. These would include the choice of exclusively state-owned commercial banks experimentally to introduce a system under which the state would enjoy a controlling interest, while domestic enterprises, residents and foreign capital received participatory interests. The ultimate intention of the reforms was to allow state-controlled commercial banks to go public (*ZXS*, 22 January).

A study undertaken by Taiwan's Mainland Affairs Council (MAC) suggested that the problem of bad loans by mainland state banks – mostly extended to inefficient state-owned enterprises – could precipitate a financial crisis in China. It argued that the four state banks – Bank of China, Industrial and Commerce Bank, China Construction Bank and Agricultural Bank – had accumulated non-performing loans of as much as US$170 billion, making all of them technically bankrupt. It added that conflicting interests resulting from the central government's position as both creditor and debtor raised questions about Beijing's ability to handle the problem effectively. Against this background, it was all the more serious that the ratio of tax revenue to GDP was meanwhile continuing to

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fall (from 32 per cent (1978) to 12 per cent (1998)), while financial deficits increased. Inherent in such conditions was the possibility that China might face a financial crisis on the scale of that experienced by Japan (CNA, 17 January).

In January, BOC confirmed that in the wake of an investigation by US financial authorities into the bank's activities in the USA, BOC former president, Wang Xuebing, had been removed from his current position as President and Chief Executive of the China Construction Bank. An official Chinese spokesman stated that Wang was "under investigation for financial irregularities committed while he was Governor of the Bank of China" (Hong Kong iMail, 15 January).

Dai Xianglong (Governor of the People's Bank of China) confirmed that at the same time as pursuing its own financial reforms, China would gradually open up its banking sector in accordance with the timetable set out in the WTO agreement. At the end of 2001, foreign financial institutions had established 214 representative offices and 190 business institutions in China, with combined assets of US$45.2 billion. In addition, 31 foreign banks had received authorization to deal in *renminbi* (XHNA, 1 February).

A report on the annual National Financial Work Conference (February) referred to the "positive results" of China's financial reform programme during the previous four years. Such success was reflected in the further development of domestic financial markets and a steady rise in the relative importance of direct financing. But it also drew attention to persistent problems, for example "financial control is weak, the proportion of non-performing bank loans remain high, the operating mechanism of financial enterprises is anything but sound, and the people's credit concept is still weak." With China now in the WTO, improving financial work assumed an even greater priority. Thus:

> Finance is the core of the modern economy and plays an extremely important role in improving the efficiency of resource allocation and in effectively controlling macroeconomic operation. With growing economic globalization, it is necessary to assign great importance to financial security in order to safeguard the country's economic security. The biggest risks are often financial risks in economic development. Financial risks are often hidden and sudden. Economic development will be endangered and social stability will be disrupted if we are not careful.

Hence, the urgent need for improved financial supervision and regulatory control, and the transformation of state-owned commercial banks into modern financial enterprises. In the interests of enhancing financial services and supporting economic development, the scale of non-performing assets should be reduced, and efforts directed towards strengthening the public credit system (XHNA, 7 February).

ZTS quoted Dai Xianglong to the effect that further major efforts would be made to reduce state-owned banks' non-performing loans (NPLs) by 2–3 per cent p.a. in an attempt to reduce the share of such loans in the four major banks' debt to around 15 per cent by 2005. Dai acknowledged the excessive level of NPLs, which he said stood at 1.7656

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trillion *yuan* at the end of 2001. He described the attempt to transform the commercial banks into "enterprises genuinely carrying on the currency business" as a principal means of gradually reducing NPLs (*ZTS*, 18 February).

Xinhua (13 February) reported that Chinese firms had raised 116.8 billion *yuan* through stock market transactions in 2001 (46.1 billion *yuan* from initial public offerings – 40 per cent less than in 2000). The number of Chinese firms listed for the first time on domestic and overseas stock exchanges fell from 139 to 74. As of the end of 2001, there were 1,160 listed firms on the Shanghai and Shenzhen bourses (1,136 as *yuan*-denominated A share firms and 112 as foreign currency-denominated B share firms). Later, it was revealed that in 2001, the Chinese stock market dropped by 9.5 per cent to 4.35 trillion *yuan*, with the value of new share issues put at 116.8 billion *yuan* (93.5 billion *yuan* below the 2000 level).

Effective as of 21 February, the People's Bank of China announced a cut in deposit interest rates by an average of 0.25 per cent. The change was designed to help combat the negative effects of slowing global economic growth in the interests of maintaining rapid, sustained domestic GDP growth.

Xinhua reported that as of 20 March, Citibank, through its Shanghai (Pudong) branch, had become the first foreign bank in mainland China permitted to deal with both *renminbi* and foreign exchange business for Chinese customers [20 March].

Xinhua (6 February) reported the findings of a recent survey of employment conditions by the Ministry of Labour and Social Security. It suggested that unemployment was falling, although the number of those without jobs remained large. The survey of 62 major cities indicated that the number of unemployed decreased during the fourth quarter of 2001 to 370,000. Most new jobs were being created in tertiary industries, such as wholesale and social services; in contrast to falling employment in state and collectively-owned enterprises, job opportunities in the private sector were expanding.

ZTS cited a report by the Chinese Academy of Social Sciences, which acknowledged that unemployment pressure in China was bound to increase during the next five years and described it as a problem which China would be unable wholly to resolve in the short term. The next five years would see the emergence of 50 million new entrants to the labour force – more than the number of new jobs that would become available. The employment challenge would also be exacerbated by slowing GDP growth under the current (tenth) Five-Year Plan.

The report also quoted a vice-minister of Labour and Social Security as follows:

> China will have two to three million more job opportunities each year after joining the WTO compared with previously, but in the initial period of WTO accession (three to five years), a number of traditional trades and agriculture with low technical content and weak competitiveness will be relatively hard hit, and unemployment there will be relatively serious.

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Meanwhile, on the basis of reports undertaken by relevant population and labour departments, *ZTS* suggested that 180 million rural people in China would move from the countryside into the towns in the next 10 years (with more than 100 million rural people migrating into towns during the Tenth Five-Year Plan).

In March, Zhang Zuoji (Minister of Labour and Social Security) suggested that China's registered urban unemployment would rise from 6.81 (3.6 per cent) to 8 million (4.5 per cent) in 2002. He noted that in 2001 some 20 million people (including 8 million new entrants into the workforce and 5.15 million laid-off workers) were seeking employment. He added that in the near future "the number of redundant employees and unemployed people will not decrease" (XHNA, 9 March).

The Ministry of Public Security reported that in the wake of the introduction of the household registration system almost a year earlier, as of mid-December 2001, Tianjin, Liaoning, Jiangsu, Henan, Chongqing and Xinjiang had completed the residence registration for 1.386 million people in small cities and towns.

Zhang Zuoji revealed that as a result of the early retirement policy of many SOEs, the average age of Chinese employees seeking retirement fell from 52 to 51 in 2001. He noted that since 1999, the number of pensioners had risen by 2,000,000 p.a. compared with 700,000–800,000 p.a. in earlier years. At the end of 2001, there were 31 million pensioners in receipt of 205.4 billion *yuan* (XHNA, 9 March).

The Ministry of Agriculture announced that for the first time ever, a commercial fishing ban would be imposed along 4,251 km of the main stream of the Chang (Yangtze) River. The ban would take effect from February to April in the upper reaches of the river between Yunnan and Hubei provinces, and from April to June in the lower reaches of the river from Hubei to Shanghai. The decision was intended to help reverse the effects of decades of overfishing and pollution on the river, which had resulted in the annual catch of wild fish falling from around 400,000 tons p.a. (1954) to 100,000 tons p.a. (XHNA, 8 January).

In the face of a sharp decline in fishery resources in spite of deliberate cutbacks in production, a senior official of the Ministry of Agriculture later revealed plans to reduce China's fresh fish output over the next four years. To this end, a ban would be imposed to prevent 30,000 boats from operating during this period.

In January, Zhu Rongji stressed the scale of the environmental protection task that China faced, not least as it sought to accommodate urbanization and continuing population growth. Although 360 billion *yuan* had been spent on environmental protection during the Ninth Five-Year Plan period (1996–2000), pollution in many areas was still worsening (XHNA, 9 January). Later, it emerged that through the framework of a five-year national plan for environmental protection, China sought to reduce the major air, water and soil-polluting wastes (including sulphur dioxide, industrial dust and solid wastes) by 10 per cent below the 2000 level by 2005. Xie Zhenhua, Director of the State Environmental Protection Administration (SEPA), noted that the major foci

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of pollution control work would be air and water pollution, as well as heavily-polluted rivers, lakes and sea areas. The associated cost of such measures was estimated at 700 billion *yuan*, or almost double the expenditure on pollution control projects under the Ninth Five-Year Plan.

In Geneva on 28 January, China's first Ambassador to the WTO, Sun Zhenyu, held an inauguration ceremony of the China's Permanent Mission to the WTO. The Director-General of the WTO (Mike Moore) attended the ceremony and stated that Chinese accession to the world trading body was a "defining moment" for both the WTO itself and for China" (XHNA, 28 January).

Earlier the same month, Xiang Huaicheng (Finance Minister) revealed that during 2002, China would adjust 5,300 tariff items (73 per cent of all tariff items), hereby lowering the general tariff level from 15.3 per cent to 12 per cent. Changes would also be made to four tariff categories: viz. most-favoured-nation tariff rates, agreed tariff rates, preferential tariff rates and normal tariff rates. The overall aim of these changes was to ensure that China's tariff system converged with global conditions, and to provide enterprises with a market environment for "fair" competition (XHNA (HK), 6 January).

On 25 March, it was announced that China had reduced the average tariff level of over 5,000 imported goods from 15.3 to 12 per cent, effective as of the beginning of 2002. Concealed within this figure was a cut in the average tariff rate of industrial products to 11.6 per cent, of agricultural products to 15.8 per cent (excluding aquatic products, for which the corresponding figure was 14.3 per cent). Quota licenses on grain, wool, cotton, fertilizer and some other goods were cancelled (Shi Guangsheng, Minister of Foreign Trade and Economic Co-operation, quoted by XHNA, 25 March).

It was reported from Beijing that in accordance with a decision made by the NPC Standing Committee, President Jiang Zemin had appointed Sun Zhenyu as China's Permanent Representative and Ambassador to the WTO. Sun was concurrently appointed as Permanent Deputy Representative to the UN's Geneva office and other international organizations based in Switzerland.

(f) *Education*

The Vice-Minister of Education, Wang Zhan, revealed that China was committed to eliminating illiteracy among 15–24 year olds during the Tenth Five-Year Plan period (2001–2005). He noted that the number of illiterates in China totalled 85 million, of whom 20 million were young or middle-aged. He also claimed that in the past ten years, over 48 million illiterate Chinese adults had learned to read and write, as a result of which the proportion of illiterate adults in the total population had fallen to 8.7 per cent (2000), with the rate of illiteracy among the young and middle-aged declining to 4.8 per cent (XHNA, 21 February).

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Table 11: **Regular Education Enrolment, 2001**

	New enrolment 2001	*% change on 2000*	*Total enrolment 2001*	*% change on 2000*
Higher education				
Undergraduates	2,680,000	21.3	7,190,000	29.3
Graduates	196,000	51.9	456,000	51.5
Secondary education				
Ordinary senior middle schools	5,580,000	17.9	14,050,000	17.0
Junior middle schools	22,880,000	− 0.3	65,140,000	4.1
Primary education				
Primary schools	19,440,000	− 0.1	125,430,000	− 3.6

Note:
The percentage changes over 2000 are based on 2000 enrolment data shown in "Quarterly Chronicle and Documentation," *CQ*, No. 166 (June 2001), Table 7, p. 554.

Table 11 summarizes enrolment statistics in schools and institutions of higher learning, and achievements in the area of adult education in 2001 as revealed by the NBS Communiqué on national economic and social development.

(g) *Military Affairs*

In 2001, military industrial enterprises reduced their losses by more than 30 per cent. Of the ten military industrial groups, the China Aerospace Science and Technology Corporation, and the China Aerospace Scientific and Technological Industry Corporation recorded a clear rise in profits; the China Aviation Industry Corporation 1, the China State Shipbuilding Corporation, the China State Shipbuilding Industry Corporation and the China Nuclear Engineering Construction Corporation turned losses into gains; and the remaining four military industrial groups achieved a significant reduction in their losses. During the same period, China's military industrial economy meanwhile increased their gross value of industrial output, industrial added value and sales income by 19 per cent, 17 per cent, and 14 per cent, respectively (Hong Kong, XHNA, 7 January).

(h) *Minorities (Xinjiang)*

Kyodo (Tokyo, 12 January) cited a Chinese source to the effect that China had moved four army divisions numbering around 40,000 men into southern Xinjiang in an effort to put down a "Muslim separatist movement" and "wipe out separatists and prevent terrorists from infiltrating from the border area." The Japanese news agency interpreted the move as

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an attempt by Beijing to take advantage of the global anti-terrorist campaign in order to intensify its activities against Xinjiang separatists.

In January, the State Council's Information Office issued an article on alleged terrorist activities by "East Turkestan" forces in Xinjiang and across the Chinese border. It suggested that between 1990 and 2001, such forces had been responsible for more than 200 terrorist incidents in Xinjiang, resulting in the deaths of 162 people (including grass-roots cadres and religious personnel) and injuries to more than 440 people. The main forms of terrorist incidents were said to include explosions, assassinations, attacks on police and government institutions, and arson and poisoning. They were also accused of having established secret training bases, purchasing and/or producing arms and ammunition, and "plotting and organizing disturbances and riots, and creating an atmosphere of terror." The article also implicated Osama bin Laden and his own terrorist forces in financing the activities of the "East Turkestan" terrorists (full text in XHNA, 21 January).

(i) *Hong Kong Special Administrative Region (HKSAR) and Macau Special Administrative Region (MacSAR)*

The Chief Executive of HKSAR (Tung Chee-hwa) spoke of the likelihood that the SAR's unemployment rate would continue to rise during at least the first half of 2002 (see also Radio Television Hong Kong (RTHK) 2 January), only falling when economic recovery – something that Tung saw as mainly dependent on the performance of the US economy – was under way. He also revealed that formal talks on the establishment of a free trade zone between Hong Kong and China would begin later in January (RTHK, 3 January).

In fact, in February HKSAR's unemployment rate reached 6.7 per cent (cf. 6.1 per cent in December 2001), the highest level since 1999, under the impact of the Asian economic crisis. Some 219,000 people were reported to be out of work. The deterioration was attributed to continued downsizing and corporate lay-offs, alongside an expansion of the workforce.

The HKSAR Secretary for Security (Regina Ip) noted that 114,708 persons from the Chinese mainland settled in Hong Kong between 1 July 1997 and the end of December 2001. Of these, 86,646 were aged under 20, while 28,062 were 20 years of age or older.

Another sign of Hong Kong's economic difficulties was the announcement that HKSAR exports had fallen by 12.2 per cent in January to US$106.6 billion – far worse than a predicted decline of 2 per cent and the biggest drop since October 2001. Imports meanwhile fell to US$109.8 billion in January (down 8.6 per cent), thereby widening the trade deficit to US$3.2 billion (cf. US$1.3 billion in January 2001) (RTHK, 26 February).

On 19 February, well in advance of the end of the nomination period, RTHK reported that the incumbent Chief Executive, Tung Chee-hwa, had already secured 704 valid nominations from the 800-member Election

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Committee, thereby ensuring that he would be re-elected to a second term of office unchallenged. Martin Lee (Chairman of the Democratic Party) was critical of the electoral system, which he described as a "sham." At the end of the month, Jiang Zemin congratulated Tung on his automatic re-election as Chief Executive of HKSAR (*ZTS*, 28 February).

On 4 February, the MacSAR office of the Association for Relations Across the Taiwan Straits (ARATS) was inaugurated in Macau. The establishment of the new office, the purpose of which was described by Xinhua as "an attempt to serve people across the Straits in a more direct and wide-ranging way," drew no immediate comment from Taipei (XHNA, 4 February).

2. Foreign Relations

(a) *Diplomatic Tours*

Following his arrival in Asmara (Eritrea) at the start of a four-nation visit, the Chinese Foreign Minister (Tang Jiaxuan) held separate talks with President Afewerki Isayas and the External Affairs Minister (Ali Sayyid Abdallah) on various issues, including bilateral relations and the situation in Africa. The two sides signed several documents of co-operation, including an agreement on bilateral economic and technological co-operation (XHNA, 9 January).

On 10 January, Tang Jiaxuan arrived in Addis Ababa for a three-day visit to Ethiopia. He praised the Ethiopian People's Revolutionary Party for its nation-building efforts and spoke enthusiastically of Ethiopia's emerging role in African affairs. Tang later held talks on bilateral relations and future co-operation between the two countries with his Ethiopian counterpart, Seyoum Mesfin, and other government leaders, including President Girma Woldegiorgis and Premier Meles Zenawi (XHNA, 10 January). He took the opportunity of his presence in Addis Ababa to re-state the importance which the Chinese government attached to Africa and to express support for the establishment of the African Union and the implementation of the New Partnership for African Development (NEPAD).

Following his arrival in Johannesburg, Tang travelled to Pretoria where he met President Thabo Mbeki for discussions on promoting bilateral relations and co-operation. Also in Pretoria, he held talks with the South African Foreign Minister (Ms. Nkosazana Dlamini Zuma) at the first diplomatic sub-committee session of the Sino-South African Bi-National Commission. The two stressed that as well as combating terrorism, the international community should give more attention to issues such as poverty reduction in LDCs and ways of narrowing the gap between the North and the South. Tang later reiterated China's opposition to any attempt to link terrorism to specific religions, countries or ethnic groups, or to taking advantage of the campaign against terrorism in order to pursue selfish strategic or political interests (XHNA, 14 January). Subsequently, at a joint press conference with Nkosazana Dlamini Zuma, Tang again expressed support for NEPAD and the African Union.

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From South Africa, Tang flew to London, where, on 17 January, he met the British Prime Minister (Tony Blair). Tang drew attention to the strength of current relations between China and Britain and reaffirmed the importance which his government attached to Britain's international status and role. The two men exchanged views on bilateral and international issues, including co-operation in the campaign against terrorism. Tang Jiaxuan also met Deputy Prime Minister John Prescott.

On 11 January, Zhu Rongji arrived in Dhaka for a two-day visit to Bangladesh prior to his visit to India. In the capital, he held talks with the Bangladeshi President (Badruddoza Chowdhury) and Prime Minister (Khaleda Zia) on bilateral relations and a wide range of regional and international issues of shared concern. The two sides signed seven agreements on economic, trade and cultural co-operation, including an agreement on economic and technical co-operation (XHNA, 11 January).

In anticipation of his visit to India, Zhu was quoted in a PTI report as expressing his government's willingness, in the interests of consolidating bilateral ties, to extend its co-operation with India against terrorism and to resolve the boundary dispute. The same report added that Zhu, who would be the first Chinese Premier to visit India in 11 years, would hold in-depth talks on bilateral, regional and international issues with the Indian Prime Minister, Atal Behari Vajpayee.

Zhu Rongji duly began his six-day visit to India on 13 January. On his arrival in New Delhi, notwithstanding official Indian sources' insistence that he would make no attempt to broker peace between India and Pakistan, he spoke of the potential contribution that a "sound, stable and amicable" bilateral relationship would make to peace and development in Asia. Hence, the Chinese government's readiness to "work together with the Indian government and people to push Sino-Indian relations constantly forward on the basis of the five principles of peaceful co-existence." He hoped too that his visit would give a "fresh impetus" to the "constructive partnership of co-operation" between China and India (PTI, 13 January).

On 14 January, Zhu held talks with Prime Minister Atal Bihari Vajpayee on bilateral relations and other regional and international issues of mutual concern. He spoke of the common ground shared by China and India and of the great potential for bilateral co-operation, especially in trade, economic and technological spheres, that remained unfulfilled. Hence, the Chinese government's readiness to build a constructive partnership based on the five principles of peaceful co-existence. Zhu was also upbeat on prospects for resolving outstanding problems relating to the border issues. Finally, he extended an invitation to Vajpayeee to visit China (XHNA, 14 January). PTI reported that following the prime ministerial talks, the two sides signed six accords on space research, science and technology, and tourism during Zhu's visit.

During his discussions with Premier Vajpayee, Zhu Rongji suggested ways in which bilateral co-operation might be enhanced. They included the maintenance of high-level visits and contacts over a comprehensive range of issues; the strengthening of mutually beneficial trade and

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economic co-operation; the promotion of scientific-technological exchanges and co-operation; the promotion by both sides of regional economic co-operation; and intensified efforts to resolve outstanding bilateral problems (especially the border issue) (*ibid*).

Also on 14 January, during a meeting with the Indian Vice-President, Krishan Kant, Zhu Rongji reaffirmed his government's stand against "terrorism in all forms, no matter when or where it occurs or whom it is directed against." Both men were in agreement on the need for more high-level contacts and exchanges in order to promote mutual understanding.

Zhu also met the Speaker of the Indian Lower House of Parliament (Lok Sabha), G.M.C. Balayogi, and the Indian Minister of External Affairs, Jaswant Singh. Zhu was at pains to urge India to explore ways of increasing its investment in China and called for a trebling of the level of trade from the current US$3 billion to US$10 billion.

A Chinese Foreign Ministry spokesman later described Zhu's visit to India as a success and stated that it had significantly advanced relations between China and India.

A PTI report (17 January) noted that Sino-Indian trade had grown by 25 per cent during 2000–01, reaching US$2.29 billion (cf. US$1.82 billion in 1999–2000). Indian exports rose by 53 per cent, compared with import growth of only 14.09 per cent.

On 18 March the Chinese Defence Minister (Chi Haotian) left Beijing on a four-nation tour to Germany, Greece, Croatia and Norway.

(b) *Countries, Territories and Regions*

Afghanistan

On 10 January, a Foreign Ministry spokesman stated that China would soon reopen its embassy in Afghanistan. He added that members of the working group from the Chinese Foreign Ministry had attended a ceremony marking the transfer of power to the Afghan interim government, and met Chairman Hamed Karzai, Foreign Minister Abdollah Abdollah and other senior officials of the interim government. He also stated that Chinese representatives would travel to Tokyo later in January in order to attend a meeting of countries providing humanitarian aid to Afghanistan (Xinhua).

Xinhua reported that in Tokyo on 21 January, Wang Xuexian (Chinese government special envoy) attended an international conference on Afghanistan's reconstruction. He spoke of the importance of restoring and maintaining stability in Afghanistan and revealed China's readiness to assist in reconstruction work, including providing aid.

On 23 January, Zhu Rongji held talks in Beijing with Hamed Karzai. Zhu reaffirmed his government's hope that all relevant parties in Afghanistan would fully implement the recent agreement in order to restore peace and stability there. He also stressed the "indispensable" role of the UN in bringing about a political solution of the Afghanistan issue.

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Zhu and Karzai also exchanged views on the international campaign against terrorism. Later, the two men attended a signing ceremony for the exchange of notes on the Chinese government's provision to Afghanistan of US$1 million and 30 million *yuan* in goods for emergency assistance. Karzai gave an undertaking that the Afghan interim government would join China in opposing " 'East Turkistan' terrorist activities" (XHNA, 23 January). During his stay in Beijing, Karzai also met Jiang Zemin, who revealed China's decision to extend a further US$150 million to Afghanistan for its reconstruction.

On 6 February, Xinhua reported that the Chinese embassy in Kabul was reopened, following its closure in February 1993. The Deputy Foreign Minister, Wang Yi, said that the reopening was symbolic of China's supports for the Afghan interim government and of its confidence in the re-establishment of peace and stability in the country.

Africa (Guinea-Bissau, Democratic Republic of Congo)

In January, the Foreign Minister of Guinea-Bissau (Filomena Mascarenhas Tipote) travelled to China, where she met Vice-Premier Qian Qichen and China's Foreign Minister, Tang Jiaxuan.

On 22 March, Jiang Zemin and Zhu Rongji held talks with President Joseph Kabila of the Democratic Republic of Congo. The two sides were said to have reached a broad consensus on the issues they discussed.

Australia and New Zealand

Xinhua reported that on 19 March, Tang Jiaxuan held talks with his Australian counterpart (Alexander Downer) in Canberra. He was the first Chinese Foreign Minister to visit Australia for ten years. Tang spoke of his government's readiness to strengthen co-operation with the Australian government in order to deepen mutual understanding and reduce the differences that persisted between the two countries. Downer praised China's "positive and constructive" regional and global influence and endorsed Tang's suggestion that the two sides should enhance their co-operation in both contexts.

Subsequently, Tang travelled to Wellington, where he exchanged views on bilateral relations and regional and international issues with the New Zealand Foreign Minister, Phil Goff (XHNA, 20 March). Both men expressed their satisfaction with the development of relations between their two countries. Later, in Auckland, Tang met the Prime Minister, Helen Clark.

Commonwealth of Independent States (Shanghai Co-operation Organization (SCO), Russian Federation, Ukraine)

Xinhua reported that the foreign ministerial conference of members – China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan – of the Shanghai Co-operation Organization (SCO), which concluded in

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Beijing on 7 January, had reached a consensus on a number of urgent issues, such as the situation in Afghanistan and the associated campaign against international terrorism, and the further development of SCO (XHNA, 8 January; for the text of SCO members' joint statement and a report on the establishment of a SCO anti-terrorist organization in Bishkek (Kyrgyzstan), see XHNA, 7 January).

On 7 January, Jiang Zemin met the Russian Foreign Minister (Ivan Ivanov), who was in Beijing to attend the SCO meeting. Jiang spoke of the good state of Sino-Russian political, economic and trade relations, and hoped that they would improve even more during 2002. Ivanov echoed these remarks noting, in particular, that the top-level bilateral political dialogue was progressing well. Earlier the same day, Ivanov exchanged views with his Chinese counterpart, Tang Jiaxuan, on bilateral relations, as well as international and regional issues of common concern. The two foreign ministers also issued a joint statement on the current situation in India and Pakistan (*ZXS*, 7 January).

A Russian source noted that bilateral trade between China and Russia was a record US$10.67 billion in 2001 (33.3 per cent above the 2000 level). Earlier, however, the same source suggested that the real level of bilateral trade between Russian and China reached US$20 billion in 2001 ("official" trade being valued at US$10 billion, but "unofficial" trade being estimated similarly) (Moscow, ITAR-TASS, 3 and 11 February).

Following the completion of due procedures, Liu Guchang (Assistant Foreign Minister) and his Russian counterpart, Aleksandr Losyukov, signed the certificate for the exchange of the ratification instrument, so bringing into effect the Sino-Russian Good-neighbourly Treaty of Friendship and Co-operation as of 28 February.

Later the same month, Anatoliy Maksymovych Zlenko (Foreign Minister of the Ukraine) arrived in Beijing, where he met Tang Jiaxuan. The two men exchanged views on bilateral and international issues. Zlenko also held talks with Zhu Rongji. A joint communiqué issued at the end of Zlenko's visit stated that his discussions on strengthening co-operation in political, economic, social and cultural areas had taken place in a "friendly and frank atmosphere of mutual trust." Reference was also made to the opening of the Ukrainian consulate-general in Shanghai (XHNA, 31 January).

Eastern Europe (Federal Republic of Yugoslavia)

Following meetings between the visiting Yugoslav President, Vojislav Kostunica, and senior Chinese government and Party officials (including Jiang Zemin and Zhu Rongji), on 9 January Jiang and President Kostunica signed a joint statement in affirmation of the broad consensus reached on matters of regional and international concern (XHNA, 9 January). Implicit in the statement was the satisfaction felt by both sides on the development of bilateral relations. According to the document,

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China and Yugoslavia would hold further regular exchanges between the central and local governments, parliaments and NGOs. Particular foci of future co-operation would be activities designed to combat organized crime, crack down on the trafficking of human beings, drugs and weapons, and prevent the counterfeiting of bank notes and certificates. During Kostunica's visit, an inter-governmental economic and technical co-operation agreement was also signed.

Japan

Kyodo reported that in Tokyo on 15 January, Japan and China reached agreement to establish an intergovernmental panel (referred to as the "Japan–China economic partnership council"), designed to prevent trade friction – especially disagreements over excessive shipments of Chinese goods to Japan such as the recent row about sales of Chinese stone leeks, shiitake mushrooms and tatami mats.

Kyodo also reported that senior officials from China, Japan and South Korea had agreed on the eventual possibility of establishing a free trade agreement between them – this, despite recognition of constraints posed by existing major gaps in tariff rates between Japan and South Korea, and Japan and China. A Japanese source suggested that a more realistic short-term agenda would be the forging of closer economic ties in areas *other* than trade (e.g. information technology and tourism) (Kyodo, 16 January).

In February, Tang Jiaxuan telephoned Yoriko Kawaguchi to offer congratulations on her appointment as Japanese Foreign Minister. He noted that 2002 marked the 30th anniversary of the normalization of bilateral diplomatic ties, and called for both sides to maintain the momentum of co-operation in bilateral relations and other areas. Kawaguchi echoed Tang's remarks and expressed her readiness to visit China at the earliest opportunity (XHNA, 9 February).

For the ninth consecutive year, Japan remained China's top trading partner in 2001. The value of bilateral trade rose by 5.5 per cent to reach US$87.75 billion. Underlying this figure was Japan's status as China's third largest export market (US$44.96 billion in 2001) and its largest source of imports US$42.8 billion). China's bilateral trade surplus was US$2.16 billion – US$2.02 billion more than in 2000. The most important items of export and import were electrical and machinery products (XHNA, 10 February).

Kyodo (12 March) reported that in fiscal 2001, the Japanese government would cut *yen* loans to China by 25 per cent to 160 billion *yen* – the biggest reduction since Japan initiated *yen* loans to China in 1979. The proposed cut was said to reflect both growing Japanese anxieties about China's increasing military expenditures and the deterioration in its own financial situation. The focus of Japanese assistance to China would also shift from infrastructural development in coastal provinces to poverty alleviation and environmental improvement in inland regions.

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Latin America (Ecuador)

The President of Ecuador, Gustavo Noboa Bejarano, visited Beijing, where (21 March) he held talks with Jiang Zemin and reached a broad consensus on many issues with Zhu Rongji. The two sides signed various co-operation agreements.

Middle East and North Africa (Jordan, Egypt, Iraq, Morocco, Israel)

Following his arrival in Beijing on a five-day state visit (his second), King Abdallah II Bin-Husayn of Jordan held talks with Jiang Zemin on bilateral trade and economic ties, co-operative investment relations and international and regional issues of common interest. The Chinese President referred to the satisfactory development of bilateral political and economic ties, and noted that China's accession to the WTO would create new opportunities for economic co-operation and trade development between the two countries. He reaffirmed China's position on the need for a resumption of peaceful negotiations as the only proper basis for a settlement of differences between Israel and Palestine. The two leaders later attended a ceremony for the signing of agreements on economic co-operation and aid (XHNA, 17 January). King Abdallah II Bin-Husayn also met Vice-President Hu Jintao and Li Peng. He subsequently visited Shanghai and Hong Kong.

Later the same month, the Egyptian President (Hosni Mubarak) arrived in Beijing, where he held talks with Jiang Zemin in a "cordial and friendly" atmosphere. The two sides were reported to have reached a broad consensus on the international and regional issues that they discussed. Jiang spoke of his "profound satisfaction" with the development of bilateral relations in all areas and his hope that new ways would be found to strengthen their "strategic co-operative relationship." Mubarak praised China's stand on the situation in the Middle East (XHNA, 23 January; see also XHNA, 24 January for Mubarak's discussions with Li Peng on the Middle East situation). The focus of Mubarak's subsequent talks with Premier Zhu Rongji was how to advance bilateral co-operation within the framework of activating strategic co-operation. Mubarak also attended the founding ceremony of a China–Egypt Business Council.

Towards the end of January, the Iraqi Deputy Prime Minister (Tariq Aziz) discussed the Iraqi issue with Vice-Premier Qian Qichen in Beijing. Qian expressed his government's sympathy with the suffering caused by sanctions against Iraq and reaffirmed China's position that the basis for resolving outstanding problems lay in observance of relevant UN Security Council resolutions. There was also discussion of bilateral relations and other issues of common concern (XHNA, 28 January).

In Beijing on 5 February, Jiang Zemin exchanged views with King Mohammed VI of Morocco on bilateral relations and major international and regional issues of common concern. The two men were said to have reached a broad consensus of opinion, both agreeing on the desirability of a further expansion of relations. King Mohammed was the first Moroccan

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King to have visited China since the establishment of diplomatic relations some 44 years earlier. Following talks with the King, Zhu Rongji said that Mohammed's visit to China heralded a new era in relations between China and Morocco. The King also met Li Peng, Li Ruihuan and Defence Minister Chi Haotian (*ZXS*, 5 February and XHNA, 6 and 9 February).

On 14 March, a Chinese Foreign Ministry spokeswoman expressed her government's condemnation of the Israeli army's "massive invasion" of the Palestinian-controlled region.

North-East Asia (Mongolia)

In Beijing on 8 January, President Jiang Zemin discussed relations between China and Mongolia with the Mongolian Prime Minister, Nambaryn Enhbayar. Both sides were unequivocal in their stands against international terrorism (*ZXS*, 8 January). On the same day, Mr. Enhbayar met Li Peng, who spoke of the willingness of the NPC to co-operate with the State Great Hural of Mongolia in the interests of promoting friendly relations between the two countries. Earlier, Zhu Rongji had spoken of his government's willingness to further promote long-term, friendly ties between China and Mongolia and, in particular, to extend bilateral economic co-operation (China being Mongolia's largest trading partner) (XHNA, 7 January). The two sides later signed an agreement on economic and technical co-operation, and letters of exchange, which provided for Chinese aid to Mongolia worth 50 million *yuan* and the delivery of oil products in accordance with a previous aid undertaking. (For the text of the two countries' joint statement, see XHNA, 11 January.)

South Asia (Pakistan, India)

On 3 January, during a stopover in Beijing, the President of Pakistan, General Pervez Musharraf, held "important" talks with Premier Zhu Rongji. The two men discussed regional issues, focusing particularly on tension between Pakistan and India resulting from the latter country's mobilization of troops along the Pakistani border (Radio Pakistan, Islamabad, 3 January). The same source later spoke of the success of the discussions (see also XHNA, 3 January).

It was announced that direct passenger flights from China to India would begin on 28 March. The lack of sufficient aircraft was one of several factors that would, however, prevent Air India from making reciprocal arrangements in the near future (Press Trust of India (PTI), 6 January and 8 February).

South-East Asia (Laos, Vietnam, Indonesia)

During talks with visiting Laotian Prime Minister (Boun-gnang Volachit), Zhu Rongji spoke of China's wish to extend its co-operation with Laos (especially in agriculture, forestry, mineral resource exploitation and infrastructural construction). The two countries subsequently signed five

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documents, including an extradition treaty, and an accord on economic and technological co-operation (XHNA, 4 February). Jiang Zemin also met Volachit and spoke with satisfaction of the positive momentum of bilateral relations and their shared beliefs in party leadership and the "socialist road."

In Hanoi on 27 February, Jiang Zemin met the General Secretary of the Communist Party of Vietnam Central Committee (Nong Duc Manh) and the Vietnamese President (Tran Duc Luong). Jiang was confident that bilateral trade and economic relations would expand. The two men reached a consensus to the effect that "the two countries and two peoples should be good neighbours, good friends, good comrades and good partners who trust, help and tolerate each other and develop together." The following day Jiang exchanged views on bilateral relations (especially trade and economic co-operation) with the Vietnamese Prime Minister, Phan Van Khai. The Chinese President pointed out that in 2001, bilateral trade reached almost US$3 billion, while there was also a significant rise in Chinese business investment in Vietnam. There was no reason, he suggested, why the expansionary trend should not continue (XHNA, 28 February).

Later, the two sides signed a framework agreement on the provision of preferential loans by China, as well as an agreement on economic and technical co-operation. Jiang looked forward to future extended co-operation (XHNA, 27 February; see also *RMRB*, 2 March).

Following her arrival on 24 March, President Sukarnoputri Megawati of Indonesia met Jiang Zemin. Their talks, which focused on bilateral relations and other issues of common concern, were said by Xinhua (24 March) to have generated a broad consensus. Jiang spoke with satisfaction of the positive momentum of the development of relations between China and Indonesia, and called for a four-fold initiative to strengthen those ties – a suggestion with which Megawati concurred. These embraced the maintenance of high-level exchanges; the expansion of trade and economic co-operation, as well as of cultural, educational and tourist relations; and enhanced co-operation in regional and international affairs. He also announced that China would provide Indonesia with a concessional loan of US$400 million.

On 25 March, Mrs. Megawati held "fruitful" discussions with Premier Zhu Rongji on how to promote co-operation in agriculture, energy, infrastructural construction, science and technology, and medicine.

Taiwan [Republic of China]

In response to Jiang Zemin's New Year message (see XHNA, 1 January), in which he reaffirmed China's commitment to peaceful national reunificaton under a "one country, two systems" formula, Chen Ming-tung (Vice-Chairman of the Mainland Affairs Council) refused to be drawn on whether he believed that Beijing would seek closer ties with the new Democratic Progressive Party (DPP) ("the prospects for Beijing's engagements with the DPP will become clear after mainland

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Chinese authorities unveil their new policy towards Taiwan"). Chen was also cautious about a mainland proposal that Taiwan and China should form a free trade area, arguing that the proposed establishment of a free trade area comprising China, Hong Kong and Macau would not damage Taiwan's competitiveness (CNA, 4 January).

An editorial in *People's Daily* (*RMRB*, 24 January) reaffirmed the thrust of Jiang Zemin's 1995 eight-point proposal on cross-strait relations and reunification. It argued that despite the political changes that had occurred in Taiwan during the previous two years, "the basic structure of cross-strait relations has remained unchanged." Thus,

> the framework, in which the international community universally recognizes one China, has not changed; and the Taiwan compatriots' aspirations for peace, stability, and development, as well as the wishes of the mainstream public opinion on Taiwan to improve and develop cross-strait relations, have also not changed. There is only one China in the world; both Taiwan and the mainland belong to China; and China's sovereignty and territorial integrity brooks no separation.

The article called on President Chen Shui-bian to adopt "earnest and positive practical steps … [to] … reopen dialogue and negotiations" in accordance with the principles of one China and "one country, two systems." (See also Qian Qichen, quoted by Xinhua, 24 January.)

In the wake of Chinese and Taiwanese accession to the WTO, an article in an ARATS-sponsored journal urged Taipei to abandon existing restrictions on cross-strait economic and trade exchanges, and to promote the direct "three links." It spoke of a 20-year "high tide" among Taiwan businessmen seeking to invest in the mainland – initially in Fujian and Guangdong, but latterly in Shanghai and Jiangsu. Growing cross-strait economic and trade integration were reflected in Taiwan's foreign trade reliance on the mainland having reached 10 per cent (with Taiwan's share in PRC's total imports having meanwhile risen to 12 per cent) (but see also below). Even so, trade and economic exchanges were heavily biased in one direction, with the authorities in Taipei still seeking to constrain shipments of goods and flows of capital to China to the detriment of cross-strait economic development (cited in Xinhua, 7 January).

Speaking at a seminar in Beijing, the former ARATS Vice-Chairman, Tang Shubei, urged Beijing and Taipei to hold talks in an attempt to address economic and trade issues arising out of their accessions to the WTO and thereby assist in the further expansion of cross-strait economic relations. He complained that many of Taiwan's regulations on trade and economic relations with China ran counter to WTO norms and rules. He also reaffirmed Beijing's insistence, in the face of opposition from Taipei, that issues relating to the "three links" – direct cross-strait trade, postal and transport services – should be treated as the "internal affairs of a single country." In response to Tang's remarks, Shih Chi-ping (former Deputy Secretary-General of Taipei's Straits Exchange Foundation (SEF)) referred to problems resulting from global access to China's huge market, and the impact on global trade associated with huge inflows of foreign capital into China. He pointed out that the effect of such

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developments had been a fall in domestic job opportunities and currency devaluation in Taiwan. Hence, the need for China to abandon its stance of dealing with just "one man or one party" in favour of developing contacts with various Taiwanese political parties and groups in order to accommodate the island's mainstream public opinion (CNA and XHNA (HK), 8 January).

On 16 January, the Executive Yuan approved a list of 2,126 products (including 901 agricultural items) for import from China – the largest number of items permitted to be shipped to Taiwan since it became a full member of the WTO on the first day of this year. Mainland Affairs Council (MAC) Chairwoman, Tsai Ing-wen, noted that the new list would raise the number of permissible direct importable goods from the mainland to 8,014 – most of them raw materials for manufacturing industries – or 76 per cent of what was thought desirable under WTO rules. The Executive Yuan had meanwhile also proposed that Taiwan should allow Chinese investment capital to be given access to its service sector (including domestic real estate and housing). The ultimate intention of the Ministry of Economic Affairs (MOEA) was to open Taiwan to *all* mainland industrial products (except about 100 items that impinged on national defence and security) within a four-year period (CNA, 16 January). The following month, the Board of Foreign Trade published a list of *2,058* products – most of them raw materials – that would henceforth be permitted to be imported directly into Taiwan (68 products included in the original list were temporarily shelved on the grounds that some of them were finished products which, if imported, might threaten domestically-produced counterpart items) (CNA, 15 February).

Meanwhile, in a speech at a seminar on the development of cross-strait economic and trade relations, Tsai Ing-wen insisted that normalization of such relations was not merely the goal, but the "only option" available to the Taipei government – even though she also recognized that Taiwan and the east coast of mainland China have been playing a very important role, associated difficulties were "most difficult, most complicated and most unique" (CNA, 20 February). A propos such difficulties, she added that in order to normalize cross-strait trade and economic relations, it was essential to establish a proper means of communication as soon as possible in order to deal with cross-strait *political* relations.

CNA reported that in 2001, government-approved investment by Taiwanese entrepreneurs in China had reached US$2.78 billion (6.79 per cent more than in 2000). Favoured destinations were ranked as follows: Jiangsu (51.1 per cent of total inflows), Guangdong (28.3 per cent) and Zhejiang (7.49 per cent) – these figures pointing to the central provincial focus of Taiwanese FDI. The same source (4 March) quoted Taiwan's Board of Foreign Trade to the effect that the island's reliance on the PRC market had steadily risen during the previous decade. In 2001, the value of Taiwanese shipments to the mainland reached 19.6 per cent of its total exports (cf. 9.1 per cent in 1991), pointing to an export dependence on China that was greater than that on any other country. By way of

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comparison, the degrees of export dependence on the mainland by selected other countries in 2001 were 12 per cent for South Korea, 7.7 per cent for Japan, 6.2 per cent for Australia, 4.1 per cent for Malaysia, 2.9 per cent for the EU and 2.6 per cent for the USA. From China's own perspective, Taiwan was the second largest source of imports, accounting for 11.23 per cent of all such shipments in 2001 (only Japan was higher with 17.58 per cent).

CNA (28 February) cited statistics showing that Taiwan's trade with China had fallen by 7.4 per cent to US$29.963 billion in 2001. At the same time, the share of cross-strait trade in Taiwan's global trade had risen by 1.8 per cent to 13 per cent. The value of exports to the mainland was put at US$24.061 billion (down 8 per cent), while the corresponding figure for imports was US$5.902 billion (down 5.2 per cent). Taiwan's Bureau of Foreign Trade attributed the declines mainly to the global recession.

On 1 February, the newly-appointed Taiwanese Finance Minister, Lee Yung-san, revealed that in line with new government policy, eight major Taiwan-based banks would be permitted to open branch offices in mainland China. The initiative was prompted by the scale of Taiwanese investment in China and the associated presence of so many Taiwan companies there (CNA, 1 February).

Xinhua reported on 2 February that work had begun in Jiading county (Shanghai) on construction of an industrial park that would be home to Taiwanese-invested chips and other hi-tech manufacturers. A residential area would be attached to the park. Construction of a second Taiwanese industrial park was expected to begin in another suburban county of Shanghai (Songjian) before the end of 2002. The two initiatives reflected the Shanghai government's wish to encourage further Taiwanese investment in the region. As of end-2001, Jiading already housed 590 Taiwanese-invested firms, with a total investment of US$1 billion.

Xinhua reported that on 9 February, for the first time in half a century, 181 Taiwanese with business interests or jobs on the mainland returned home by *direct* shipping route from Xiamen to Mazu (Matsu). Previously, they would have had to travel through Hong Kong or Macau. Meanwhile, an estimated 22,000 Taiwanese had travelled to the mainland by sea since the opening of direct sea transport between Xiamen and Jinmen (Kinmen).

Sources in Beijing noted, with anger, that from 1 January, Taiwan's Government Information Office had begun to use a new emblem, in which Chinese territory previously included in the old emblem had disappeared. The change was interpreted as "de-Sinicism" and seen as evidence of the increasing arrogance of " 'Taiwan independence' forces" (*ZTS*, 2 January). Later, President Chen Shui-bian announced that he had signed an official document allowing the Ministry of Foreign Affairs to add "Taiwan" to the cover of Republic of China [ROC] passports in order more effectively to distinguish them from mainland passports.

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United States of America

In advance of President George W. Bush's visit to China, Zeng Peiyan, (Minister in charge of the State Development Planning Commission) remarked on the huge untapped potential in bilateral trade and economic relations. He noted that China was the fourth largest trade partner of the USA, while the United States was China's second largest trade partner (and, after Japan, the second largest source of imports). Major import commodities shipped from the United States to China were farm products, aircraft, power station equipment, oil equipment, electronic products, chemical products and medical instruments. The reverse flow was made up mainly of light industrial products, machinery and electronics goods. Despite slowing US growth, the momentum of bilateral trade development had been maintained and China's WTO accession had meanwhile generated new opportunities for its further expansion (XHNA, 13 February: see also XHNA, 18 February, which cited statistics of the General Administration of Customs to the effect that bilateral Sino-US trade reached US$80.5 billion in 2001, or 32.8 times that of 1979).

As for foreign capital inflows, the US had committed itself to almost 34,000 projects worth US$67.8 billion (end-2001), with cumulative utilized investment close to US$35 billion (8.8 per cent of all FDI in China). Thus, after Hong Kong, the United States was China's second largest investor with over 300 out of the 500 largest American corporations having investment interests in China (including General Motors, Motorola, Lucent Technologies, Coca Cola, Dupont, Eastman Kodak, IBM, Xerox and Hewlett Packard). Major sectoral destinations of FDI were the machine-building, automobile, computer and petrochemical industries, communications, infrastructure, finance and insurance (XHNA, 13 February).

On 16 February, President George Bush left Washington to begin a week-long trip to Japan, South Korea and China. The visit had been scheduled to take place in October 2001, but had been postponed in response to the terrorist attacks on the World Trade Centre in New York and the Pentagon on 11 September (for a rehearsal of the principles underlying Sino-US relations as perceived from Beijing, see Qian Qichen in *Qiushi* (website), 16 February).

On 21 February, President Bush flew from Seoul to Beijing to undertake his first state visit to China. He and Mrs. Bush were welcomed by Jiang Zemin and his wife (Wang Yeping) at the Great Hall of the People. Later the same day, Bush and Jiang held their first formal talks, which were reported by *ZXS* to have been "an extensive and in-depth" exchange of views on various issues, including the joint development of the "constructive and co-operative relationship," the anti-terrorist campaign, economic co-operation and trade, Taiwan (according to Jiang, the central issue and the key to maintaining the development momentum of bilateral ties) and "non-proliferation." At a subsequent press conference, Bush described his talks with Jiang as "very candid and positive."

The following day, Premier Zhu Rongji met Bush, with whom he

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discussed bilateral relations and economic issues. Zhu noted that Bush's visit coincidentally commemorated the 30th anniversary of former President Nixon's visit to China and the subsequent publication of the Sino-US Shanghai Communiqué. The intervening years had sometimes highlighted differences between the two countries, but Zhu insisted that despite disagreements, the relationship between China and the USA was characterized by the existence of "more extensive and important common interests." Zhu Rongji echoed Jiang in highlighting the Taiwan question as the most sensitive issue impinging on Sino-US relations. In response to the Chinese Premier's rehearsal of his government's insistence on peaceful reunification in accordance with the principle of "one country, two systems," Bush reaffirmed his own government's commitment to the one-China policy and its hope for a peaceful resolution of the Taiwan question (XHNA, 22 February; but for a critical comment on Bush's position on Taiwan, see Hong Kong, *Ta Kung Pao* (*Dagong bao*), 21 February).

Following the US President's departure for Washington, Xinhua (22 February) spoke of his "positive, constructive and fruitful" talks with Jiang Zemin. The report added that the two men had reached a broad consensus on the bilateral and international issues on which they had exchanged views. Yang Jiechi (the Chinese Ambassador to the USA) claimed that the visit would have a positive long-term impact on the development of bilateral ties. He drew special attention to the two leaders' agreement on reinforcing high-level strategic dialogues – for example, on regional economic and financial issues – and contacts in order to enhance mutual understanding and trust. He also revealed that agreement had been reached to strengthen co-operation over various fields including trade and economic relations, energy, science and technology, environmental protection, the prevention and treatment of AIDS, and law enforcement. Finally Yang noted that Jiang had accepted President Bush's invitation to visit the United States later in 2002 (XHNA, 22 February; see also Hong Kong, *ZTS*, 22 February for further comment on the Bush visit).

Western and Southern Europe (European Union (EU), Norway, Republic of Ireland)

In the wake of Chinese commercial banks launching euro–*renminbi* exchange services, a Xinhua report cited "experts" to the effect that the circulation of euros would facilitate bilateral trade and co-operation between China and Europe, as well as offering new opportunities to Chinese enterprises. The same source noted that the EU was currently China's third largest trading partner, while China ranked fourth for the EU (XHNA, 2 January).

On 19 January, the Norwegian Prime Minister (Kjell Magne Bondevik) arrived in Beijing for talks with Premier Zhu Rongji and other senior Chinese officials. Zhu noted the strong momentum of the development of Sino-Norwegian relations, reflected in productive co-operation in the UN,

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the Security Council and other multilateral spheres. He also pointed out that bilateral trade and economic co-operation had expanded rapidly, the value of merchandise trade in 2001 (more than US$900 million) being some 200 per cent above the level of 1991. Even so, there remained great untapped potential in trade and economic spheres. The two men also discussed environmental protection, human rights, religion, and other regional and international issues of common concern (*ZXS*, 21 January).

Later, Kjell Magne Bondevik held talks with Jiang Zemin, many of whose remarks echoed those of Zhu Rongji. Jiang noted that there were no basic conflicts of interests between the two countries and looked forward to even more fruitful co-operation – especially in areas of environmental protection, fishery, shipbuilding and navigation.

Addressing a 'China Norway Industry Day' forum, Bondevik looked forward to a further expansion of bilateral trade and economic co-operation. Zeng Peiyan (Minister in charge of the State Development Planning Commission) meanwhile noted that the level of bilateral trade had trebled in the past decade, with China becoming Norway's second largest Asian trading partner.

On 22 January, the Irish Foreign Minister (Brian Cowen) arrived in Beijing, where he met Zhu Rongji and other senior government officials. Cowen looked forward to an expansion of exchanges and co-operation with China, especially in trade and economic spheres. He also held talks with Tang Jiaxuan (XHNA, 23 January).

(c) *International Organizations (Asia–Europe Meeting (ASEM))*

The Asia–Europe Meeting (ASEM) held its first environment ministerial conference in Beijing on 17 January. Representatives of ten Asian countries as well as 15 member states of the European Union took part in the meeting, the main foci of which were the promotion of an environment partnership among ASEM members, ways in which desertification could be halted, and preparations for the 2002 World Summit on Sustainable Development in Johannesburg (Yonhap (Seoul), 15 January).

The first ASEM environment ministers' meeting duly took place, participants calling for the early implementation of the Kyoto Protocol, and urging further co-operation and dialogue among ASEM members.

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