Quarterly Chronicle and Documentation

(October–December 2000)

Abbreviations

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

1. Internal developments

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3. Documentation

Text of "Proposals of the Central Committee of the Chinese Communist Party on Drawing Up the Tenth Five-Year Plan for National Economic and Social Development" (adopted on 11 October 2000 at the Fifth Plenum of the 15th Central Committee of the Chinese Communist Party) (taken from SWB, FE/3979 and 3980).

1. Internal Developments

(a) *The Fifth Plenum of the 15th CCPCC*

Some 183 members and 144 alternate members attended the CCPCC's Fifth Plenum, which was held in Beijing between 9 and 11 October. The meeting examined and approved an important document, entitled "Proposals of the CCPCC on drawing up the Tenth Five-Year Plan

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[10FYP] for national economic and social development [2001–2005]" (the complete text of the 10FYP proposals can be found in FE/3979 (Part I) and FE/3980 (Part II), and it is also reproduced under "Documentation" below).

The document reviewed progress in economic and social development during the previous 20 years (FE/3970). Major achievements included the elimination of commodity shortages, and effecting important changes in demand-supply relations; the preliminary establishment of a socialist market economic structure; the extension of the role of the market mechanism in resource allocation; and the further pursuit of opening up China to the outside world and the further development of its external economic relations. Associated with these gains were improvements in welfare, with most Chinese now enjoying a "comfortably well off" (*xiaokang*) living standard.

The next ten years would be important to China's strategic restructuring of the economy, as it would also to the further development of a socialist market economic system and to the process of opening even wider to the outside world.

Major objectives within the 10FYP period would be to maintain the momentum of "relatively rapid economic development," whilst also focusing on strategic economic restructuring and improving the *qualitative* dimensions of economic growth. The attainment of these goals would enable China to "lay a solid foundation for the doubling of 2000 GDP by the year 2010." Another high priority was the need to establish a modern enterprise system, the fulfilment of this goal being attendant on making further progress towards the creation of an effective social security system. Meanwhile, China would seek to extend its involvement in international economic co-operation and competition. As for further improvements in welfare, an expansion in employment opportunities was one of the ways in which further urban and rural income growth would be facilitated, and material living standards raised. Future policy would also provide for accelerated ecological construction and environmental protection. Nor would the tasks of "building spiritual civilization and [further improving] the democratic and legal systems" be ignored.

A core message in the document was that development was a key that would help resolve all China's problems. Thus:

> In the face of the new situation of the growing trend of economic globalization, the rapid development of the revolution in science and technology, the speeding up of industrial restructuring, and the fiercer international competition; and in the face of the arduous tasks in China's modernization, we must maintain a relatively fast speed of development in order to resolve the existing contradictions and problems in economic and social life …

There was reference too to the continuing fundamental role of agriculture in facilitating development and, in particular, to the need to maintain grain security and to raise farm incomes. In the industrial sector, qualitative and competitive improvements would be a core objective. Nor was the development of the tertiary sector to be overlooked. In pursuit of

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comprehensive economic and social development, scientific and technological innovation and application would play a pre-eminent role.

Subsequently, an editorial in *Renmin ribao* highlighted the critical importance of the prevailing "guiding ideology" in facilitating China's future economic and social development (*RMRB*, 12 October).

(b) *The 18th Session of the Ninth NPC Standing Committee*

Delegates to the 18th Session of the Ninth NPC Standing Committee, which opened in Beijing on 23 October, reviewed 12 laws. Six of these were presented for discussion for the first time and included three – amendments, respectively, to the laws on China–foreign joint ventures, to China–foreign co-operative ventures, and to solely foreign-funded enterprises – that were designed to facilitate China's accession to and membership of the World Trade Organization (WTO)) (FE/3979).

Amendments to the Marriage Law (originally promulgated in 1950, but revised in 1980: details in FE/3980) sought to address serious social problems associated with the practice of bigamy and with domestic violence within marriage. Xinhua noted that against the background of statistics, which showed that 65 per cent of all divorces in China had their origins in extra-marital affairs, there was strong support from NPC Standing Committee members for the proposed new provisions (FE/3984).

(c) *Administrative Developments, Social Order, the Falun Gong Movement, and the Anti-Corruption Campaign*

XHNA noted that during the Ninth Five-Year Plan period (1996–2000), now coming to an end, institutional reforms had facilitated major progress towards streamlining central government departments and ministries. By these means, the number of functionaries at such levels had been cut by half to some 16,000, while the number of principal organizations under the remit of the State Council had been reduced from 40 to 29 (FE/3966). In addition, the average age of those employees who had retained their posts had fallen: in particular, the share of those below the age of 40 had risen by 5.7 per cent. Those with a Ph.D. degree had also increased by 6.8 per cent.

On 1–2 December, a national conference on public security was convened in Beijing. In a speech to the delegates, Wei Jianxing (a member of both the Political Bureau and Secretariat of the CCPCC) was at pains to reaffirm the importance of Jiang Zemin's "three representations" in inculcating "proper" values and attitudes among cadres and masses (FE/4022). Meanwhile, an article by Wang Dan in a Taiwanese journal (*Hsin Hsin Wen* [*Xin xinwen*], 16 November: see FE/4031) drew attention to declining morale among China's peasants and the increasingly serious phenomenon of riots in the countryside. Although these were still small in scale, Wang suggested that they contained the seeds of more serious and widespread unrest. He cited the recent (September)

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instance of a "five-day rebellion," involving 40,000 peasants in Jiangxi, which had been accompanied by attacks on government buildings, the looting of government officials' houses and violent confrontation with the police. Wang pointed out that the average monthly income of Chinese peasants was a mere 180 *yuan* – less than the minimum subsistence level of laid-off urban workers – while rural consumption expenditure was less than a third of the corresponding urban level. The basic reason for the widening rural–urban income gap was to be found in the discriminatory and exploitative nature of prevailing policies vis-à-vis peasants. The most notable example of such discrimination was the imposition on farmers of excessive levies and other burdens, although government pricing policies for agricultural inputs were another contributory factor. Wang drew attention too to the many restrictions from which rural migrants to cities suffered.

There was growing concern about the spread of AIDS during the quarter. One report noted that the total number of reported cases of HIV carriers in China had reached 20,711 by the end of September 2000 (37 per cent more than at the same point in 1999). Over 740 of these had contracted AIDS, and 397 had already died from the disease. Among HIV carriers, the incidence between men and women was 5.2:1 (FE/3987; and see FE/3997, 4015 and 4017). A *ZTS* report from Hong Kong quoted the Vice-Minister of Health (Yin Dakui) to the effect that the AIDS situation in China was "extremely grim" (FE/3999). Meanwhile, it was reported that Shanghai had formulated a 15-year AIDS prevention plan (FE/4012).

The supposed threat posed by the activities of the outlawed *falun gong* sect (described in a XHNA report as a "reactionary political force" opposed to the Chinese government (FE/3969)) continued to be a major source of official concern. The seriousness with which the situation was viewed was reflected in reports of widespread arrests of cult practitioners. At the beginning of October, an Australian source reported that hundreds of *falun gong* followers had been arrested in Tiananmen Square on China's National Day – many of them, according to eyewitnesses, having been beaten and kicked by Chinese police (FE/3960). Taiwan's Central News Agency (CNA) also spoke of checkpoints having been set up by police in order to stop *falun gong* members from entering the Chinese capital (FE/3960; see also FE/3961).

The Human Rights and Democracy Information Office (HRDIO) in Hong Kong was a prime source of information about the mistreatment, and worse, of *falun gong* members. In October, it reported that two followers, one from Shandong, the other from Liaoning, had recently been tortured to death. The same report added that there had been 59 such instances since July 2000 (FE/3983). The following month (8 November), HRDIO also noted that another death had occurred in detention, while on 23 November, it spoke of a *falun gong* supporter holding a U.S. Green Card being put on trial in Beijing on charges of "gathering intelligence for overseas organizations" (FE/4007). On 1 December, the same source reported that a naturalized Canadian and *falun gong* practitioner, Zhang

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Kunlun, had been sentenced, without trial, to three years of re-education through labour (FE/4014).

The vigorous anti-corruption campaign continued throughout the quarter. In a speech to the Fifth Plenum of the CCP Central Discipline Inspection Commission (CDIC) (Beijing, 26 December), Jiang Zemin insisted that in the interests of preserving the Party's authority, the "arduous" struggle against corruption should be maintained (FE/4032; see also Wei Jianxing in *ibid.*). It was revealed that the CDIC had set three main goals for 2001: first, to enhance self-discipline among leading officials; second, to deal firmly and strictly with major instances of corruption by officials; and third, to address malpractices discovered in industry and government departments.

Elsewhere, Jiang called for severe punishment of those found guilty of involvement in the Xiamen Yuanhua smuggling case (FE/3961; see also the report in Hong Kong, *Sing Tao Jih Pao* [*Xingdao ribao*], 15 October, to the effect that Jiang and six members of the Standing Committee of the CCPCC Political Bureau had, in response to a report on the first trial of those implicated in the Yuanhua case, called for death sentences to be passed). The first trial included ten persons, each accused of taking bribes or engaging in smuggling goods valued at 5 million *yuan*. They included the former Vice-Mayor of Xiamen (Lan Pu), the Director of Xiamen Customs (Yang Qianxian) and the Director of the Fujian Provincial Public Security Department (Zhang Rushun).

On 8 December, Xinhua reported that of 84 people who had stood trial as the first batch of those implicated in the Yuanhua case, 14 had been sentenced to death (three of them with a two-year reprieve). They included Yang Qianxian, Zhang Rushun and Lan Pu. Some 12 more had been given life sentences, and the other 58 had received prison sentences of varying lengths. The finding of the court was that since 1996, the "Lai Changxing 'smuggling group' " and other associates had been engaged in smuggling refined oil, vegetable oil, cars and cigarettes with a total value of 53 billion *yuan*; in addition, customs duties of 30 billion *yuan* had been evaded (FE/3994). According to a Hong Kong source (*Sing Tao Jih Pao*, 1 December), the CCPCC had removed Chen Mingyi as Secretary of the Fujian Provincial CCP Committee because of his "leadership responsibility" for the Yuanhua smuggling case (FE/4014). The second round of trials, involving more than 100 suspects, was reported to have begun on 14 December (FE/4025).

There were reports of other corruption trials during the quarter. For example, it was reported from Hong Kong that the trial of the former Vice-Minister of Public Security (Li Jizhou) had opened on 5 December. Li was said to have been charged with accepting bribes of 8 million *yuan*, including one of 500,000 dollars from Lai Changxing (see above) (FE/4016).

Finally, Ji Shengde – son of a former Vice-Premier, Ji Pengfei – was said to have been sentenced to 15 years imprisonment for having allegedly embezzled 220 million *yuan* of public funds (FE/3994).

Sources in Japan (Kyodo, 1 December) and Hong Kong (*Wen Wei Po*

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[*Wenhui bao*], 4 December) carried reports that Gao Changli had resigned, or been removed, as Minister of Justice. The Kyodo report suggested that Gao had been detained in a hotel outside Beijing, where he was being questioned for "irregularities," although it also quoted the Ministry of Justice to the effect that Gao's resignation was merely "for health reasons." Not until 28 December did Xinhua confirm that Zhang Fusen had replaced Gao as the new minister (FE/4032).

(d) *Economic Affairs*

There were various references to the next (Tenth) Five-Year Plan (10FYP) (2001–2005) during the quarter. An article in Hong Kong's *Ming Pao* (*Mingbao*) noted that Zhu Rongji and his protégés were in charge of the formulation of the 10FYP, with sub-groups having been established to oversee the drafting of plans for national defence (including military science and technology), the development of Western China, and environmental protection (FE/3971). Xinhua suggested that in formulating the next plan, efforts would be made to take account of public opinion (XHNA, 23 October in FE/3980).

One specific quantitative indicator suggested that by 2005, increased investment in science and technology should have enabled the share of high-tech exports to have exceeded 20 per cent of China's total exports (FE/3989).

Meanwhile, at a national conference on 10FYP priorities, organized by the CCPCC and State Council (Beijing: 28–30 November), the principal tasks for 2001 were outlined. They included the following six goals:

- to uphold the "strategic guideline" of continuing to follow a proactive fiscal policy in order to increase domestic demand, while also improving macroeconomic regulatory and control mechanisms;
- to give added emphasis to strengthening agriculture and raising the incomes of peasants;
- to accelerate system reform and scientific and technological progress;
- to make good preparations for China's accession to WTO;
- to give proper attention to resolving the problems of those whose living standards remained depressed;
- to strengthen the building of "spiritual civilization" and other aspects of social welfare.

The buoyant performance of agriculture under the Ninth Five-Year Plan (1996–2000) was revealed in statistics which showed that agricultural value-added rose by 4.3 per cent p.a. during 1995–99. No less remarkable was the average level of food grain output in the same period – 504.85 million tonnes (per capita grain production having risen from 380 to 406 kilograms) (FEW/0660). In the broader rural sector, Xinhua noted that during 1995–99, rural enterprises had grown by 12 per cent p.a., to generate value-added of 2,530 billion *yuan* (1999), or more than 30 per

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cent of GDP. The same source reported that the work force of such enterprises totalled 123 million (*ibid.*).

Such reports notwithstanding, serious problems continued to plague the farm sector. One concerned illegal non-agricultural uses to which arable land was put. Xinhua noted that per capita arable area availability in China was a mere 43 per cent of the global average, and that only 39.8 per cent of China's arable area was high-quality land (FE/3986). Elsewhere, it was suggested that the contraction of cultivated land in Central and Eastern China was particularly serious (FE/3994). Reclamation promised to help offset such resource constraints, but it was pointed out that high costs and ecological factors made it difficult to exploit the 6.66 million hectares available for reclamation throughout China.

In October, an article by Du Runsheng (President of the Chinese Land Economy Society) called for legislative clarification of land and land ownership rights (*Zhongguo gaige* (*China's Reforms*), 13 October in FE/4014). He drew special attention to the need to provide legislation that would specify peasants' "quasi-proprietary" rights vis-à-vis land – namely, "the right to contract, the right to use, the right to operate, as well as diverse rights such as the right to mortgage, the right to shareholding, and the right to transfer." Du's overall message sought to encourage the creation of a "better institutional climate for farmers, rural stability, agricultural prosperity, and national economic development."

Against the background of a remarkable sequence of fine grain harvests (see above), a *ZTS* report indicated that summer grain production in 2000 was likely to be down by 9.3 per cent (i.e., by 11 million tonnes). The expected decline in *annual* grain output was put at 25 million tonnes. As a result, in contrast to the surplus of grain (some 20 million tonnes) that China had enjoyed in the previous two years, there might be a deficit of 5 million tonnes in 2000 (FE/3993).

Meanwhile, Wen Tiejun, research fellow at the Economic Research Centre of the Ministry of Agriculture) suggested that China's involvement in international grain markets was bound to affect world grain prices (FE/4008, quoting *Zhongguo jingji shibao*, 22 November). He argued that Chinese agriculture was, in fact, already unsustainable. In support of his position, he cited four factors: the lack of basic resources, in particular, the scarcity of arable land; the near exhaustion of interventionist measures to adjust farm prices; the lack of alternative rural employment opportunities for surplus farm workers; and the threat of capital flight from agriculture as a result of low productivity in that sector.

Against this background, Wen put forward a three-point proposal: first, that the process of rural urbanization be accelerated; second, that the state should help build "specialized co-operative organizations run by farmers in some non-agricultural sectors" (including banking, insurance, circulation and wholesale businesses) – this in order to combat the prevailing monopolistic nature of such services; and third that surplus farm labour be used for purposes for capital formation (especially in order to improve

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water conservation) in Western China (on water conservation, see also FE/4008).

Towards the end of the quarter, Sheng Huaren (Minister in charge of the State Economic and Trade Commission) claimed that with 60 per cent of state-owned enterprises (SOEs) now in profit, China had fulfilled the target of reforming its SOEs within a three-year period (FEW/0671). Earlier, Xinhua noted that in 1999, total SOE profits had reached 96.7 billion *yuan*, 77.6 per cent above the level of the previous year. In the first half of 2000, the corresponding figure was over 90.3 billion *yuan*, or 2.06 times that of the same period of the previous year. Moreover, of 6,599 loss-making large and medium-scale SOEs at the end of 1999, 1,127 had transformed themselves into profit-making entities by June 2000 (FEW/0662; see also FEW/0667). Later, the same source reported that between January and October 2000, 516 "key" state enterprises had made a net profit of 190.15 billion *yuan*, a rise of 97.9 per cent above the level of the same period in 1999. Of these 516 enterprises, 424 were now profitable, 147 of them each earning a net profit in excess of 100 million *yuan* (FEW/0669, and see FE/3973; for a XHNA report on the Ministry of Labour and Social Security's proposed introduction of a new work-related salary system, see FE/4030).

In the energy sector, it was reported that China's oil imports in 2000 were expected to reach at least 50 million tonnes. In 1999, total domestic production of oil was 160 million tonnes – some 40 million tonnes less than demand, which was growing by about 4 per cent annually. By 2010, it was expected that oil imports would constitute some 40 per cent of total consumption (FEW/0668). Against this background, a significant development was the discovery of a natural gas area in Inner Mongolia that contained reserves estimated to be 700 billion cubic metres (FEW/0668).

Zhang Weiqing (Minister of the State Family Commission) made it clear that China's population control policies would continue in the interests of keeping total population below 1.4 billion by 2010 (but peaking at around 1.6 billion in the middle of the 21st century). Zhang also pointed out that the population of working age would peak at around 900 million in the coming decades; by contrast, numbers of citizens above the age of 60 would rise from 130 million (end-2000) to over 357 million (2030) to 439 million in 2050, by which time, they would account for a quarter of the total population (FE/3988).

In December, the State Council Information Office published a White Paper on population control. It noted that China's population at the end of 1999 (1.26 billion) constituted 21 per cent of the global total. The success of population control measures in the past was reflected in the dramatic decline in both the birth rate and the rate of natural increase of population. The former had fallen from 33.4 per thousand (1970) to 15.23 per thousand (1999); the latter, from 25.83 to 8.77 per thousand. Meanwhile, the total fertility rate of Chinese women had been reduced to below replacement level. In short, China had already accomplished its demographic transition. The State Council document also revealed that the number of rural residents living below the poverty lines had been

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reduced from more than 250 million in the 1970s (33 per cent of the total rural population) to 34 million (a mere 3 per cent) in 1999 (FE/4029).

On 1 November, Chinese officials began to undertake the Fifth National Census. Some six million investigators and "guidance counsellors" were reported to be ready to visit every household in towns and townships throughout the country in order to conduct on-the-spot registrations (FE/3987; see also XHNA, 27 October in FE/3984).

It was acknowledged that serious problems continued to be caused by the huge migratory flows of rural residents into large Chinese cities. This floating population frequently posed threats to social order, many of the migrants turning to crime. In the face of such difficulties, it was essential to "strengthen co-ordination and co-operation, and lead the population to move from place to place in a reasonable and orderly manner." More small towns and townships should also be created in order to absorb surplus farm workers (FE/4015).

A Xinhua report noted that at the end of 1999, the total number of employed persons in China exceeded 700 million (26 million more than in 1995) (FEW/0660). Also in 1999, the number of unemployed stood at 5.75 million, implying a registered unemployment rate of 3.1 per cent (unchanged from 1998). The same report revealed that over 11 million SOE workers had been laid off in 1998 and 1999. Elsewhere, Xinhua reported that the number of working women in China was 330 million, or 46.7 per cent of the total working population (FE/3966).

Xinhua revealed that in Liaoning, 451,500 people were already in receipt of benefits designed to provide a minimum living standard (cf. 267,000 in 1999) and anticipated that the figure would rise to some 700,000 by the end of 2000. Although Liaoning contains 10 per cent of all SOEs in China, the rise in benefits was attributed not to the pressure from worker lay-offs, but rather to the choice of this province as a pilot region for social security reform (FE/3999).

During the quarter, further progress towards the completion of preparations in advance of China's accession to the WTO continued to be made, albeit fairly slowly. In October, the U.S. trade representative, Charlene Barshevsky, travelled to Beijing in an effort to resolve some of the outstanding technical and political problems that still hindered the achievement of more rapid progress. In his talks with Barshevsky, the Chinese Premier, Zhu Rongji, reaffirmed his government's determination to honour its WTO commitments (FE/3971; see also Hong Kong, *Sing Tao Jih Pao*, 10 October in FE/3968, which suggested that since acquiring Permanent Normal Trading Relations (PNTR) status, China's efforts towards fulfilling the requirements of WTO accession had slowed). Later the same month, Shi Guangsheng (Minister of Foreign Economic Relations and Trade (MOFERT)) spoke of the "positive and fruitful" results of a meeting in Beijing with Pascal Lamy (EU Trade Commissioner) (FE/3982).

In Geneva, the 14th meeting of the WTO China Panel closed on 8 December. Xinhua spoke of important progress having been made, and quoted the Chairman of the Working Party on China's Accession to the

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WTO (Paul Henri Ravier) as urging his co-members to accelerate the process. It was announced that the next meeting would be held between 10 and 27 January 2001 (FE/4020).

Elsewhere, Shi looked forward to foreign trade playing an even more decisive role in China's economic development under the 10FYP and predicted that foreign trade growth would be more rapid than national GDP growth (FE/4004). Meanwhile, it was revealed that between January and September of 2000, the value of China's high-tech exports had reached US$25.98 billion. This represented an increase of 52.5 per cent above the level of the same period of the previous year, compared with a 33 per cent rise for exports taken as a whole. It was anticipated that by the end of 2000, high-tech exports would account for 15 per cent of China's total export value (cf. 6.8 per cent in 1995 and 12.7 per cent in 1999) (FEW/0664).

During January–October 2000, Guangdong's foreign trade was reported to have reached US$1239.6 billion, 24.4 per cent higher than in the first ten months of 1999. Guangdong's trade accounted for 36 per cent of the national total. With exports at US$76.05 billion and imports at US$63.55, Guangdong enjoyed a favourable balance of trade to the tune of US$12.5 billion (FE/4001).

On 24 November, the State Council issued a circular on saving water and anti-pollution work in the urban sector. It acknowledged that urban water shortages and associated problems of water pollution had become serious problems. It called for major efforts to increase water resources, but also to conserve supplies (especially by protecting underground water resources) (FE/4010).

(e) *Military Affairs*

On 16 October, the State Council Information Office published a White Paper entitled "China's National Defence in 2000," (see FE/3973 for details). It argued that peace and development had become the two dominant themes in the world and spoke of an increasing trend towards multi-polarity and economic globalization, as well as the emergence of enhanced international security. With the Asian financial crisis overcome and economic recovery under way, the security situation in the Asia-Pacific region had also become more stable. Dialogue and co-operation had been enhanced to the benefit of mutual understanding and trust.

At the same time, however, sources of instability – not least the continued existence of "hegemonism and power politics" – remained and a "serious disequilibrium" in relative national strengths persisted throughout the world. Other negative developments included plans by the United States to introduce national missile defence (NMD) and theatre missile defence (TMD) systems, an increase in U.S. military strength in the Asia-Pacific, and continuing outbreaks of local wars.

The White Paper stressed that China's national defence policy was

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indeed inherently *defensive* in nature. It drew particular attention to the following main aspects of such policy:

- China's defence modernization efforts were purely for its national self-defence and intended to deter aggression, combat subversion and protect state sovereignty and security;
- central to national defence policy was the notion of self-reliance and to this end, China sought to establish no alliance with any country or bloc of countries, nor did it seek to participate in any military bloc;
- the primary focus of military strategy was to devise "active defence" measures, designed to facilitate defensive operations under "modern, especially high-technology" conditions;
- the modernization objective for China's armed forces was to create a "lean and strong military force the Chinese way" (including enhancement of self-defence by the entire population);
- China's national defence was subordinate to and was intended to serve the purpose of national economic construction;
- the overall aim of China's military strategy was to safeguard world peace and to oppose hegemonism.

The White Paper made the familiar point that China sought peaceful reunification with Taiwan. But it added:

> … if a grave turn of events occurs leading to the separation of Taiwan from China in any sense, or if Taiwan is invaded and occupied by foreign countries, or if the Taiwan authorities refuse, *sine die*, the peaceful settlement of cross-Straits re-unification through negotiations, then the Chinese government will have no choice but to adopt all drastic [necessary?] measures possible, including the use of force, to safeguard China's sovereignty and territorial integrity, and achieve the great cause of reunification.

It added that a declaration of Taiwanese independence would mean war.

The following figures on fixed defence expenditure (all in billion *yuan* – estimates in brackets express spending as a proportion of total state financial expenditure) were made available in the document:

1998	93.47	(8.66)
1999	107.67	(8.20)
2000	121.29	(8.29)

Other sections of the defence White Paper addressed questions of frontier defence, the garrison of the Macau Special Administrative Region, military training, ideological and political work within the armed forces, confidence-building measures, and nuclear weapons and nuclear defence.

In November, a Hong Kong source (*Sing Tao Jih Pao*, 11 November, in FE/3997) suggested that the first batch of 45 Russian Su-30 jet fighter bombers would be delivered by the end of the year. It described the aircraft as an "unbeatable rival" to the U.S. F-15E aircraft and noted that deals would eventually lead to China possessing over 400 "world-class advanced jet fighter bombers" of the Su-27 series. The following month,

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a Russian source (ITAR-TASS) reported that deliveries would begin in 2001 of four Russian A-50 (Shmel) aircraft patrol and homing radar complexes. The U.S. was said to be concerned that acquisition of these new "spy planes" and the associated military technology might pose a serious threat to Taiwan's security (FE/4024).

(See also FE/4018 on the 34th State Council Executive Meeting (6 December), at which the PRC National Defence Education Law (draft) and draft Amendment to the Chinese PLA Ordinance Governing Offices on Active Duty were discussed and passed.)

(f) *Education*

A XHNA report revealed that educational investment in 1999 totalled 334.9 billion *yuan*. This figure, some 13.56 per cent higher than in 1998, constituted 2.7 per cent of China's GDP, a rise of 0.24 per cent over the level of the previous year (FEW/0667).

Elsewhere, it was reported that the illiteracy rate in Tibet had fallen from 95 per cent (1951) to 42 per cent (FE/3968).

(g) *Hong Kong and Macau Special Administrative Regions (HKSAR and Macau SAR)*

A local report (HK iMail website, 5 October in FE/3965) quoted Chief Executive Tung Chee-hwa to the effect that economic restructuring in Hong Kong (in particular, the demise of much manufacturing industry) had led to the impoverishment of one million people. Other contributory factors that were cited included higher divorce rates (leading to more single-parent families), the inflow of ill-educated migrants, and the failure of government re-training schemes. A little later, a different local source reported that over the next two years, the Hong Kong government had allocated HK$2.7 billion in order to assist the poor. There were plans to expand employment (FE/3970).

At the end of October, Tung Chee-hwa travelled to London, where he met the British Prime Minister, Tony Blair, with whom he held talks on issues of mutual concern. Xinhua later spoke of the two men's "constructive" discussions, especially on the further promotion of bilateral relations (FE/3985 and 3987).

The relatively low turnout of the Legislative Council by-election for Hong Kong Island (10 December) was thought in some quarters to reflect voter apathy (FE/4020; see FE/4021 for the results of the election).

On 18 December, the Italian Foreign Minister (Lamberto Dini) held talks with senior Hong Kong government officials. He commented on the renewed buoyancy of the Hong Kong economy, noting that GDP for 2000 was expected to be 10 per cent higher than in 1999 (FE/4028).

On 20 December, Jiang Zemin travelled to Macau SAR to celebrate the first anniversary of Macau's return to China. The Chinese President reaffirmed China's commitment to the principle of "one country, two

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systems" and praised the work of the government of Macau SAR under the leadership of Ho Hau Wah. He also took the opportunity to warn against the pursuit of any activities in Macau that could be interpreted as opposing the central government in Beijing.

2. Foreign Relations

(a) *Diplomatic Tours*

In November, President Jiang Zemin made state visits to three South-East Asian countries – Laos, Cambodia and Brunei (where he attended the Asia Pacific Economic Co-operation (APEC) Forum – see below under (c)). His arrival in Vientiane marked the first ever visit by a Chinese head of state to Laos. In the Laotian capital, he held talks with President Khamphai Siphandon on the further promotion of bilateral relations and other issues of common concern. It was revealed that since 1989, Chinese investments had facilitated the implementation of 74 projects in Laos, with a total value of US$997 million (FE/3994 and 3996).

Jiang was the first Chinese head of state to visit Cambodia since 1963. In Phnom Penh, he met King Norodom Sihanouk, and held talks with senior Cambodian officials, including Chea Sim (President of the Cambodian Senate) and Norodom Ranariddh (president of the National Assembly). The two sides agreed to strengthen political and economic co-operation and exchanges (FE/3997 and 3998).

Following a brief stopover in Shenzhen (Guangdong), Jiang Zemin travelled to Bandar Seri Begawan, where his arrival again marked the first ever visit to Brunei by a Chinese head of state. In his talks with Sultan Hassanal Bolkiah, he stressed China's wish to establish long-run and stable relations with Brunei, based on co-operation and good-neighbourliness. Bolkiah was at pains to stress Brunei's adherence to the one-China principle (FE/4001).

Towards the end of the quarter (2–10 December), the Chinese Foreign Minister (Tang Jiaxuan) made visits to the Federal Republic of Yugoslavia, Albania, Hungary and Poland. In Belgrade, Tang expressed the Chinese government's support for Yugoslav efforts to find a peaceful settlement of the Kosovo-Metohija problem, as well as for the strict implementation of UN Security Council Resolution 1244. He also told the Yugoslav Foreign Minister (Goran Svilanovic) of China's wish to strengthen political and economic relations with Yugoslavia (FE/4014). Meanwhile, on 3 December, Tanjug (Yugoslavia's state news agency) quoted the Chinese Foreign Ministry's praise for former President Slobodan Milosevic's efforts to promote better relations with China. It revealed too that China was to send 20 million *yuan* as a gift to assist in Yugoslavia's reconstruction efforts. In a joint communiqué issued by the foreign ministers, the two sides pledged themselves to extend scientific, technical, educational and cultural exchanges, as well as political and economic co-operation (FE/4015).

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Following his arrival in Tirana, on 5 December Tang Jiaxuan held talks with the Albanian President (Rexhep Meidani), Premier Ilir Meta and Foreign Minister Paskal Milo. Both sides expressed themselves satisfied with the level of development of bilateral relations (FE/4017). The following day found Tang in Budapest, where he exchanged views on bilateral issues and global political co-operation with the Hungarian President, Ferenc Madl, and also held talks with his Hungarian counterpart (Janos Martonyi). The two sides subsequently issued a joint declaration on the development of bilateral relations (FE/4018).

Tang Jiaxuan's final destination was Warsaw, where he held talks with the Polish Foreign Minister, Wladyslaw Bartoszewski. The Polish news agency, PAP, noted that an agreement had been reached on "certain elements of co-operation, including regular consultations." China also undertook to make efforts to reduce Poland's bilateral trade deficit vis-à-vis China FE/4020).

(b) *Countries, Territories and Regions*

Africa (Zambia, Tanzania, Togo; Namibia)

In early October, the Presidents of Zambia (Frederick Chiluba), Tanzania (Benjamin William Mkapa) and Togo (General Gnassingbé Eyadéma), as well as observers from Malawi and Liberia (and the President of Algeria (see below under "Middle East and North Africa")) arrived in Beijing in order to participate in the "Year 2000 Millennium Conference of China–Africa Co-operation Forum" (FE/3968). In a speech to the Forum, Jiang Zemin outlined a four-point proposal for joint efforts by China and Africa, designed to "establish a new international political and economic order." The four points were:

- to strengthen solidarity and promote North-South co-operation;
- to enhance dialogue and improve North-South relations;
- to pursue international affairs in accordance with the principle of equality and "in an enterprising spirit";
- to establish a new long-run, stable partnership of "equality and mutual benefit" between China and Africa.

Also at the Forum, the Vice-Minister of Foreign Trade, Sun Guangxiang, announced that the Chinese government had decided to reduce or cancel 10 billion *yuan* of debts of some of the most heavily indebted and least developed countries in Africa. The measures would be implemented over a two-year period (FE/3969, which also contains the full text of Jiang's speech to the Forum). Subsequently, Xinhua published the text of the "Beijing Declaration," endorsed at the Forum on 12 December (FE/3970; and see FE/3971 for a speech by Premier Zhu Rongji at the closing session).

On 22 November, Sam Nujoma (President of Namibia and chairman of the Southern African Development Community) held talks in Beijing with Jiang Zemin. Jiang noted with satisfaction the favourable momentum of the development of bilateral relations (FE/4006).

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Commonwealth of Independent States (Russia, Azerbaijan, Armenia)

In November, Jiang Zemin took advantage of his presence at the APEC Forum in Brunei to hold a meeting – the fourth such in 2000 – with the Russian President, Vladimir Putin (also in attendance at the Forum). The two men exchanged views on bilateral relations, as well as on regional and international issues of common concern. Jiang told Putin that the Chinese government was willing to co-operate with its Russian counterpart on the anti-missile issue (FE/3999 and 4000).

At the end of the same month, the Russian Deputy-Prime Minister (Ilya Klebanov) travelled to Beijing to co-chair, with State Councillor Wu Yi, the fourth meeting of the Joint Committee for Regular Meetings of Heads of Government of Russia and China – this in advance of Premier Mikhail Kasyanov's arrival in the Chinese capital. In Beijing, Klebanov held talks with Zhang Wannian (Vice-Chairman of the Central Military Commission) and Wu Yi. She and Wu agreed to seek ways of strengthening trade and high-tech co-operation. Wu Yi noted that between January and November, the value of bilateral trade had risen by 42.6 per cent above the level of the same period of 1999 to reach US$5.8 billion (FE/3986 and 3988).

On 3 November, the Chinese and Russian Premiers (Zhu Rongji and Mikhail Kasyanov) signed a joint communiqué on the fifth regular Prime Ministerial meeting between the two countries' government leaders. During his visit to Beijing, Kasyanov exchanged views with Jiang Zemin and Zhu Rongji on prospects for co-operation over a wide range of areas (economic, political, scientific and technical, and international relations). The two sides expressed satisfaction with the level of development of their "strategic and co-operative partnership of equality and mutual trust" (FE/3989; and see FE/3990 for a report on Kasyanov's meeting with Li Peng). Xinhua quoted the Russian Prime Minister as stating that the expected value of two-way trade in 2000 would be US$7 billion (cf. US$5.7 billion in 1999). Interfax also reported that the two sides had held further talks on the construction of two gas pipelines, one from Western Siberia to Western China, the other from Irkutsk (the Kovykta Field) through China to South Korea. A Russian television broadcast also referred to a Russian proposal to sell China long-range radar surveillance aircraft (the A-50) (see above under "Military Affairs").

On 4 and 5 December, Vice-Premier Li Lanqing held talks in Moscow with Premier Kasyanov and Deputy-Prime Minister Valentina Ivanovna. Li's visit to Russia was intended to help fulfil agreements reached by the two countries' Prime Ministers during their previous talks in Beijing. Li and Matviyenko also co-chaired the first session of the China–Russia Co-operation Committee on Education, Culture, Health and Sports (FE/4016, 4019 and 4021).

In October, Tang Jiaxuan held talks in Beijing with the visiting Foreign Minister of Azerbaijan, Vilayat Guliyev. Bilateral relations and regional security issues formed the focus of their discussions. Guliyev also met Vice-President Hu Jintao (FE/3981 and 3982).

In December, Jiang Zemin received the Prime Minister of Armenia

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(Andranik Markaryan) in Beijing. The Armenian government leader also exchanged views on the further development of bilateral relations with Zhu Rongji (FE/4016).

Japan

On 12 October, Zhu Rongji travelled to Tokyo at the invitation of the Japanese Prime Minister, Yoshiro Mori. Kyodo (the Japanese News Agency) reported that in their talks the following day, the two men had agreed that they should learn from past history and seek friendly and co-operative bilateral relations. Mori reaffirmed Japan's feelings of "deep remorse" for Japan's past actions. He also expressed concern about the failure to repay debts by a number of Chinese international investment and trust corporations and called for improvements in China's investment climate (FE/3971).

Later, in a question and answer session, Zhu noted that the Japanese government had never issued an apology for the atrocities committed under the aegis of the previous Japanese wartime government. He hoped that further consideration would be given to this matter (FE/3972). On 14 October, Zhu met Liberal Democratic Party leaders and called for joint efforts to improve relations and to endorse, through actions, the Sino-Japanese consensus of "taking history as a mirror and looking towards the future" (he also rehearsed the familiar Chinese government position on Taiwan (*ibid.*)). Later still, Kyodo reported that Japan had rejected a call from Zhu for a written apology for its wartime aggression, although elsewhere the Chinese Premier was quoted as having stated that "demanding an apology is not our aim" (FE/3974).

Kyodo (24 November) reported that during their attendance of the Informal Summit Meeting of the Association of South-East Asian Nations (ASEAN) (Singapore, 24 November), the Japanese and Chinese Prime Ministers and South Korea President (Kim Dae-jung) had held a breakfast meeting. The three men were said to have agreed that they would hold "top-level trilateral meeting" at each annual conference of ASEAN (FE/4007).

Kyodo reported that in Tokyo on 15 December, senior policy planners of the Liberal Democratic Party had proposed that Official Development Assistance (ODA) to China should be cut because of the difficult domestic economic situation, but also out of concern about China's increasing military expenditure. In recent years, Japan has provided around 200 billion yen in ODA (FE/4026).

Finally, it was announced that China and Japan had agreed to hold exchange visits of warships in 2001 and 2002 (Kyodo, 2 November, in FE/3988).

Latin America (Mexico, Colombia)

It was reported that in Beijing on 16 November, China and Mexico had reached a consensus on most issues in their bilateral WTO negotiations.

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Further talks would be held in an effort to find a solution to the difficulties that remained between the two countries (FE/4001).

In December, Shi Guangsheng travelled to Bogota in order to participate in the seventh meeting of the China–Colombia Mixed Meeting on Trade and Economic Co-operation. The two sides agreed that they would seek to double two-way trade to US$300 million within a two or three year period. In Bogota, Shi also met the Colombian President, Andres Pastrana Arango (FE/4025 and 4026).

Middle East and North Africa (Palestine, Israel; Saudi Arabia, Syria, Iraq, Qatar; Algeria)

At the beginning of the quarter and against the background of violent clashes between Palestinians and Israeli police, a Chinese Foreign Ministry spokesman expressed his government's "serious concern" about the situation in the Gaza Strip (FE/3962). The message was to be echoed in subsequent Chinese reports and on 12 October, Jiang Zemin's own concern was reflected in separate messages, which he sent to Yassir Arafat and the Israeli Prime Minister, Ehud Baraq. He called on the two leaders to resume peace talks at the earliest opportunity and to adopt pragmatic measures in the search for a settlement (FE/3972). China's views were made clear too at the United Nations. As early as 3 October, China coupled an urge for restraint with condemnation of Israel for its use of rockets and tanks against Palestinian civilians (FE/3963). Two weeks later, the Head of the Chinese delegation to the UN High Commission for Refugees (Li Enheng) expressed shock at the continued use of Israeli force (FE/3975).

In October, two senior officials from major Middle Eastern powers were engaged in discussions with Chinese leaders. First, on 12 October, the Defence Minister and Second Deputy Prime Minister of Saudi Arabia, Sultan Bin Abd-al-Aziz, held talks in Beijing with Jiang Zemin and Li Peng (FE/3971). Then, on 29 October, in a meeting in Damascus, the Chinese Deputy Foreign Minister (Ji Peiding) held an exchange of views with President Bashar al Asad of Syria on the situation in the Middle East and on the further development of relations between China and Syria (FE/3985).

The following month, the Iraqi Deputy Prime Minister, Tariq Aziz, met Vice-Premier Qian Qichen in Beijing. Qian expressed his government's support for the removal of sanctions against Iraq, and said that the establishment of a "no-fly zone" in Iraq constituted a violation of both the UN Charter and the norms of international relations (FE/4010). In later talks with Aziz, Jiang Zemin echoed Qian's remarks and called for a "just and rational" solution of the Iraq issue. He hoped too that co-operative relations between China and Iraq would be further strengthened (FE/4011).

In December, the Foreign Minister of Qatar, Shaykh Hamad Bin-Jasim Bin-Jabr Al Thani travelled to China as the envoy of the Qatari Emir. In the Chinese capital, he held talks with Qian Qichen (FE/4016).

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Finally, President Abedlaziz Bouteflika of Algeria made a state visit to China between 12 and 15 October. Following talks between Bouteflika and Jiang Zemin, the two sides issued a joint communiqué, praising Sino-Algerian friendship and urging further co-operation (FE/3972).

North-East Asia (South Korea [Republic of Korea (ROK)]); North Korea [Democratic Republic of North Korea (DPRK)])

Following his visit to Japan (see above), Premier Zhu Rongji travelled to Seoul for talks with Korean government officials, as well as in order to attend the Third Asia–Europe Meeting (ASEM). A Chinese Foreign Ministry spokesman underlined the importance of Zhu's visit, saying that it would "comprehensively enhance" bilateral co-operation. China, the spokesman said, looked to South Korea in order to learn how the Korean government had sought to overcome its financial difficulties. In Seoul, Zhu addressed a gathering of representatives of Korean business organizations. He hoped that the dialogue on regional stability, trade and economic co-operation would be intensified, and told his audience that China and South Korea had formulated plans to establish a joint investment promotion framework (FE/3974, 3976 and 3977).

In the course of a visit to China by a delegation of South Korea's Millennium Democratic Party, Li Peng reiterated China's desire to establish a "co-operative partnership" with the ROK (FE/4028).

On 22 October, Chi Haotian (the Chinese Defence Minister and Vice-Chairman of the Central Military Commission) arrived in the North Korean capital, Pyongyang, on a goodwill visit (FE/3979 and 3980). Chi and the fellow members of his delegation subsequently met Kim Jong-il (General Secretary of the Korean Workers Party, Chairman of DPRK National Defence Commission, and Supreme Commander of Korean armed forces) (FE/3982).

Pacific Island States (Republic of Vanuatu)

On 6 November, the Prime Minister of Vanuatu, Barak Tame Sope, arrived in Beijing, where he held separate talks with Jiang Zemin and Zhu Rongji on the development of bilateral relations and other issues of common concern. The Vanuatuan leader reaffirmed his country's adherence to the one-China principle (FE/3992 and 3994).

Earlier, Radio Australia reported that China had urged the five Member States of the Pacific Island Forum that had diplomatic relations with Taiwan to uphold the one-China principle. The same report also spoke of China's alleged efforts to prevent Taiwan's involvement in the Forum (FE/3987).

South Asia and Indian Ocean (India, Afghanistan)

All India Radio reported on 14 November that the latest round of border talks between China and India had ended in Beijing. The report revealed that the two sides had, for the first time, exchanged maps of the

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middle sector of the disputed border between the two countries (FE/3998).

On 11 December, a pro-Taleban source noted that a Chinese delegation headed by the Chinese Ambassador in Islamabad (Lu Shulin) had visited the capital of Afghanistan, Kabul. Lu was said to have expressed the hope that a negotiated solution to the Afghan problem could be found, as well as having looked forward to stronger cultural and commercial relations between Afghanistan and China (FE/4022). Later, a Chinese Foreign Ministry spokeswoman in Beijing reiterated China's stance on Afghanistan and insisted that the purpose of Lu's recent visit had been merely to inspect the site of the Chinese Embassy in Kabul (FE/4024).

South-East Asia (Malaysia, Vietnam)

During his visit to Brunei to attend the APEC Forum, Jiang Zemin met the Malaysian Prime Minister, Dr Mahathir. Jiang briefed Mahathir on China's domestic economic situation and future development plans. For his part, Mahathir said that Malaysia was ready to invest in the development programme under way in Western China (FE/3999 and FE/4000).

On 29 December, Xinhua carried a brief report to the effect that the Vietnamese President, Tran Duc Luong, had just completed a five-day visit to China, which had taken him to Xiamen (Fujian province) (FE/4033).

Taiwan [Republic of China]

A *ZXS* report (23 October) published the text of an article in *Liang'an Guanxi* (*Cross-Straits Relations*), which warned that allegedly "covert" independence policies pursued by the Taiwanese President, Chen Shui-bian, allied to his refusal to accept the 1992 one-China consensus had undermined political stability and created an economic "crisis" in Taiwan, whilst also precipitating the collapse of the (then) Prime Minister's (Tang Fei's) Cabinet (FE/3981). The article was also critical of Chen for not having moved more quickly to establish direct links across the Taiwan Straits. Similar sentiments to those contained in this article were expressed in a subsequent XHNA report (29 November), which also contained a review of the history of contacts and exchanges between Beijing's Association of Relations across the Taiwan Straits (ARATS) and its counterpart organization in Taipei, the Straits Exchange Foundation (SEF) (FE/4012; and for a Taiwanese response to such arguments, see the remarks made by Tsai Ing-wen (Chair of the Mainland Affairs Council in Taiwan) in FE/4013).

Meanwhile, a Hong Kong source reported that a senior general of the People's Liberation Army (PLA) had been appointed to key posts in Beijing's top Taiwan policy-making body. The reference was to Lt General Xiong Guanghui (Deputy Chief of the PLA General Staff), who was said to have been appointed as Secretary-General of the CCP Central Leading Group for Taiwan Affairs – a body headed by Jiang Zemin

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himself (FE/4005; and see Hong Kong, *Tai Yang Pao* (*Taiyang bao*) in FE/4010).

In Hong Kong, an article in *Tung Fang Jih Pao* (*Dongfang ribao*, *Eastern Daily*) quoted Zhang Wannian (Vice-Chairman of the Central Military Commission and Deputy-Head of the Central Leading Group for Taiwan Affairs) during a PLA military equipment work conference to the effect that during the 10FYP period, "it is certain that war will break out in the Taiwan Straits" (FE/4003). Zhang was said to have added that in order to guarantee victory, the PLA would strike first, thereby paralysing Taiwan's power facilities and the combat ability of the Taiwan Air Force. A subsequent Taiwanese response to Zhang's alleged remarks stressed the superior quality and training of Taiwan's personnel, as well as the superiority of its equipment – factors that would guarantee Taiwan's air supremacy (FE/4004, quoting *Lien Ho Pao* (*Lianhe bao*), 21 November).

On 17 November, Wu Poh-hsiung (Vice-Chairman of the Kuomintang [KMT] and former Interior Minister, KMT Secretary General and Mayor of Taipei) began a 11-day visit to China – the highest-ranking KMT official to travel to the mainland since 1949 (FE/3998; see also FE/3965). Although the ostensible reason for his visit was to attend the world Hakka "amity meeting" in Xiamen (FE/4002), Wu was also received in Guangzhou by Ye Xuanping (Vice-Chairman of the National Committee of the Central People's Political Consultative Conference (CPPCC)); in Beijing by both Vice-Premier Qian Qichen and Chen Yulin (the latter, Director of the Central Office for Taiwan Affairs); and in Shanghai by Wang Daohan (President of ARATS) (FE/4002, 4006 and 4009). Xinhua's report of Wu's meeting with Wang Daohan suggested that Wang had called on Chen Shuibian to "show his sincerity and recognize the one-China principle" (FE/4010). Following his return to Taipei, Wu himself stated that the time was not yet ripe for the Lien Chan (Chairman of the KMT) to visit the mainland (FE/4012).

At the beginning of the quarter (2 October), a Central News Agency (CNA) report confirmed that direct mail, shipping and trade links would be initiated between Kinmen and Matsu (offshore islands belonging to Taiwan) and two mainland ports (Xiamen and Fuzhou). The report was explicit in stating that there would initially be strict limits on the kinds of goods that could be imported into China, as well as on the number of travellers to the mainland. It added that Taiwanese exporters would *not* be allowed to make shipments to China via Kinmen and Matsu (FE/3962). On 19 December, CNA noted that the Bureau of Immigration in Taipei had started to accept applications from residents of the two Taiwanese islands to travel to China (FE/4028; see also FE/4029).

Two other CNA reports provided quantitative indicators of Taiwan's recent economic involvement in China. One (9 October) quoted Perng Fai-nan (Governor of the Central Bank of China (Taipei)) to the effect that Taiwanese businessmen had invested over US$24.5 billion in the mainland (FEW/0662). The second (6 November) revealed that China's output of information hardware would reach US$25.535 billion; by contrast, of Taiwan's gross value output of US$48.067 billion, only

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information hardware goods worth US$23.209 billion would have been produced in Taiwan, the remaining US$18.577 billion-worth of production having been generated in China (FE/3992).

United States of America

Perhaps the single most important event during the quarter was meetings between Chinese and American leaders and senior government officials in Brunei, where they were attending the APEC Forum. On 15 November, Tang Jiaxuan exchanged views on bilateral relations and other regional and international issues of mutual concern with the U.S. Secretary of State, Madeleine Albright. Tang accepted that there were still difficulties between the two countries, but stressed the "extensive" areas of common interest that they shared in preserving peace and stability in the Asia-Pacific region and throughout the world (FE/3999). Later, Mrs Albright also held talks with Vice-Premier Qian Qichen, who insisted that his government was not prepared to make any concessions on the one-China principle, nor tolerate any "activities aimed at splitting the country" (FE/4000; see also FE/3999 for a report on the meeting between Shi Guangsheng and the U.S. Commerce Secretary, Norman Mineta).

On 16 November, Jiang Zemin held talks with his U.S. counterpart, President Bill Clinton. Their discussion focused on bilateral relations, each man taking pains to acknowledge the other's efforts to promote closer relations and stronger co-operation. Jiang stated that relations between China and the United States had "withstood all kinds of severe tests" during the previous eight years and yet had continued to move forward. He reaffirmed his government's determination to help promote even closer relations in the coming years. The two men also discussed arrangements for China's accession to the WTO (FE/4001; on WTO accession, see also XHNA, 27 October in FE/3983).

A XHNA report indicated that the fourth round of defence consultations between Chinese and U.S. defence departments, which ended in Beijing on 30 November, had enhanced mutual trust and understanding. It added that the discussions had taken place in a "frank and friendly atmosphere" (FE/4012; and for Chi Haotian's comments, FE/4013).

A Chinese Foreign Ministry spokesman was critical of American plans to develop NMD and TMD systems and stated that their implementation would have a severe negative impact on regional and global strategic balance and security. He added that China was insistent in its refusal to accept the intention to incorporate Taiwan under the TMD umbrella (*ZXS* in FE/3989). From the same source came subsequent condemnation of the U.S. for allegedly using the "appropriation bill for foreign operations" during fiscal 2001 in order to interfere in China's internal affairs – a reference to American criticism of Beijing's record on Tibet and human rights, as well as its stance on Taiwan (FE/3992).

On 14 December, Xinhua reported that Jiang Zemin had sent a message of congratulations to George W. Bush on his victory in the U.S. presidential election (FE/4024; for another comment on the election, see FE/3991).

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The Vatican

The Chinese Foreign Ministry issued a protest against The Vatican's decision to canonize "a number of foreign missionaries and their followers who [had] committed wicked crimes in China" – a reference to the canonization of 120 Chinese saints and foreign missionaries who had worked in China in the hundred years before 1949. A spokesman of the State Administration of Religious Affairs in Beijing accused The Vatican of interfering in China's internal affairs (FE/3961, which also carries the hostile reaction to The Vatican's decision by a Chinese Bishop, Michael Fu Tieshan (Chairman of China's Catholic Patriotic Association)).

Xinhua (FE/3962) subsequently noted that of those chosen for canonization, 33 were former foreign missionaries; the remaining 87 were Chinese followers. It added that 17 had been executed by the Qing Imperial government; 15 had died in " 'religious cases' in which the Chinese people fought against the oppression of foreign churches" between 1840 and 1900; and 86 had died in the Boxer Uprising (1900) (FE/3962; see also FE/3964, which contains counter-criticism of the Chinese government's "interference" in religious freedom and "suppression" of the church, and 3965; also see *RMRB*, 3 October).

Western Europe (Great Britain, France, Germany, Italy; the European Union (EU))

In October, the British Deputy Prime Minister, John Prescott, travelled to China, where he held talks with Vice-President Hu Jintao and attended the second meeting of the China–UK Forum (FE/3974 and 3975).

Later the same month, the President of France (Jacques Chirac) also visited China, where, in Yangzhou (Jiangsu province), he exchanged views with Jiang Zemin on bilateral and international issues of common concern (FE/3978). The talks took place against the background of China urging France to cancel a US$75 million deal with Taiwan for the delivery, by the end of 2003, of an observation satellite. The French view of this matter was that the satellite was intended for commercial use; by contrast, China argued that the deal was in violation of the 1994 French commitment not to sell *arms* to Taiwan. The Yangzhou talks (22 October) also afforded Chirac an opportunity to urge the Chinese government to ratify UN treaties on human rights and, according to Agence France Presse, to encourage Jiang to facilitate an improvement in human and religious rights in Tibet (FE/3979). On 23 October, the two leaders resumed their talks (described by Jiang as "comprehensive, thorough and candid"). Xinhua spoke of the two sides having similar or identical views on many of the issues discussed, although French sources were at greater pain to point to the persistent complicating factor of the France–Taiwan deal) (FE/390).

In December, the German Vice-Chancellor and Foreign Minister (Joschka Fischer) undertook an unofficial visit to China at the invitation of Tang Jiaxuan. The focus of their discussions was the state of relations

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between China and Germany (FE/4023). Later the same month, Tang also held talks with the Italian Foreign Minister (Lamberto Dini), who had travelled to Beijing from Hong Kong (see above). The two sides exchanged views on bilateral, regional and international issues (FE/4029).

In October, a delegation of the European Parliamentary Group for Relations with China, headed by the Group's Chairman, Per Gahrton, held talks in Beijing with Vice-Premier Qian Qichen. The foci of the two sides' talks were regional co-operation and the role of the United Nations (FE/3986).

October also saw the Second China-EU Business Dialogue take place in Beijing. Premier Zhu Rongji addressed the meeting in the presence of President Chirac and Romano Prodi (President of the European Commission). He hailed the signing, earlier in the year, of the Sino-EU agreement of China's WTO accession and looked forward to further co-operation between China and the EU. In subsequent talks between Zhu, Chirac and Prodi, the French President was quoted to the effect that the EU held out "great expectations" in anticipation of China's membership of WTO (FE/3979).

Meanwhile, in his speech to the meeting, Shi Guangsheng put forward a six-point proposal, designed to facilitate stronger trade relations and enhanced economic co-operation between China and the EU (FE/3981). Their main aims were to encourage the two sides to:

- develop WTO rules-based co-operative relations in trade, investment and technology transfer;
- expand trade and open up markets;
- accelerate co-operation in high-tech sectors and associated high-technology trade;
- expand co-operation between small, medium and large-scale enterprises;
- increase EU investment in Western China;
- give full play to the co-ordinating role of the China-EU Mixed Committee on Trade and Economic Co-operation.

(b) *International Organizations (United Nations (UN); Asia-Europe Meeting (ASEM); Asia-Pacific Economic Co-operation (APEC))*

On 3 October, Hu Xiaodi (China's Ambassador on Disarmament) called for the strict observation of the Anti-Ballistic Missile (ABM) Treaty, signed by the United States and former Soviet Union in 1972 (FE/3963; also see the remarks of a Chinese Foreign Ministry spokesman in FE/3988). Hu described the ABM Treaty as a cornerstone of global strategic stability. He was also critical of U.S. plans to deploy its own NMD system and warned of the dangers of an arms race in outer space, which might result from the adoption of NMD.

In Beijing on 20 November, the Chinese Vice-Foreign Minister (Wang Guangyu) and the UN High Commissioner for Human Rights (Mary Robinson) signed a "Memorandum of understanding on the development

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of human rights technical co-operation programmes." Mrs Robinson later held talks with Jiang Zemin, who rehearsed the familiar Chinese position that different countries had different attitudes towards human rights. A Hong Kong source reported that the UN High Commissioner, who also met Vice-Premier Qian Qichen, had herself expressed concern about China's human rights record (FE/4004; see also FE/4005).

In a speech to the Third Asia-Europe Meeting (Seoul: 20 October), Zhu Rongji outlined five proposals, designed to expand relations between Asia and Europe (FE/3977). They were:

- to increase trade and investment between Asia and Europe;
- to extend scientific and technological co-operation and exchanges;
- to enhance the development of human resources;
- to make sustainable development (including the implementation of co-operative ventures in agriculture and environmental protection) a priority task;
- to open up new channels of co-operation between the two regions.

On 12 November, Tang Jiaxuan and Shi Guangsheng addressed the 12th APEC Ministerial Meeting, held in Bandar Seri Begawan (Brunei). One of the messages which Tang sought was his government's concern about the rising trend of oil prices. Meanwhile, Shi called on APEC members to play an active role in bringing pressure to bear on the WTO to adopt a "balanced agenda" for the new round of WTO talks. It was also reported that the Trade Ministers of China and Taiwan had exchanged handshakes and greetings at the opening ceremony of the APEC meeting (FE/3957).

On 15 November, Jiang Zemin addressed the Eighth Informal leadership Meeting of APEC (FE/4001). His speech reviewed the global international situation, drawing attention to the dangers to global development, posed by factors such as the instability of capital and foreign exchange markets, and rising international oil prices. He argued that the benefits of economic globalization should be set against less desirable features deriving from the same source – for example, challenges to national sovereignty, the further widening of the North-South gap and the evidence of increasing protectionism in some quarters. Effective rules were needed, said Jiang, in order to combat such problems. Jiang urged APEC members to adapt to economic globalization and to the rapid development of new science and technology (the source of a new industrial revolution). He called too for more effective intra-member co-operation within APEC, not least in economic and technological spheres, emphasizing, in particular, the role of human resources and their development as keys to the realization of scientific and technological progress.

3. Documentation

Text of "Proposals of the Central Committee of the Chinese Communist Party on Drawing Up the Tenth Five-Year Plan for National Economic

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and Social Development" (adopted on 11 October 2000 at the Fifth Plenum of the 15th Central Committee of the Chinese Communist Party) (taken from SWB, FE/3979 and 3980).

Chinese Communist Party Proposal for 10th Five-Year Plan

Beijing, 18th October: Proposal of the CCP Central Committee for Drawing up the 10th Five-Year National Economic and Social Development Plan.

(Adopted at the fifth plenary session of the 15th CCP Central Committee on 11th October 2000)

When the new century begins, China will step into a new development stage of building a society in which people can enjoy a comparatively comfortable life and the nation's socialist modernization drive will accelerate. Despite the complex situations at home and abroad, the country has victoriously accomplished the Ninth Five-Year Plan and achieved colossal successes in its national economic and social development, thanks to the hard work of the whole party and people of all ethic groups in the country. As result of reforms, opening up, and the developments over the past two decades or so, China's productivity has made a big stride forward: The situation of commodity shortages has basically ended and significant changes have taken place in market supply and demand. The country has created a preliminary [Chinese: chubu jianli] socialist market economic system, market mechanisms have been playing an increasingly conspicuous and fundamental role in the allocation of resources, and the institutions and environment for economic development have changed significantly. A pattern of opening all sectors to the outside world has basically taken shape, the open economy has been developing rapidly, and significant changes have taken place in international economic relations. We have accomplished the first two-step strategic objectives set for modernization – namely achieving an all-round economic and social development and the people as a whole are able to enjoy a comparatively comfortable life – and started to proceed with the third-step strategic plan. This is a new milestone in the history of the development of the Chinese nation.

The next five to ten years will be an important period for China's economic and social development, an important period for carrying out strategic adjustments of the economic structure, and also an important period for perfecting the socialist market economic system and opening up wider to the outside world. According to the long-range objectives set by the 15th National Party Congress, during the 10th Five-Year Plan period (from 2001 through 2005), the main objectives for economic and social development will be: Maintaining a relatively fast national economic growth, achieving noticeable successes in carrying out strategic adjustments of the economic structure, noticeably improving the quality and performance of economic growth, and laying a strong foundation for doubling the 2000 gross domestic product [GDP] in 2010; state-owned enterprises [SOE] will have made significant headway in building a modern business system, a relatively sound social security system will have been established, and substantive steps will have been made in improving the socialist market economic system so that SOE will be able to take part in international economic cooperation and competition more extensively and more profoundly. Then, there will be broader channels for jobs, incomes of people in urban and rural areas will continue to increase, their material and cultural lives will substantially improve, and ecological construction and environment preservation will intensify. Moreover, education in science and technology will develop faster, the quality of citizens will continue to improve, and the construction of a spiritual civilization and a democratic legal system will make significant headway.

Development is the overriding principle [fazhan shi ying daoli], and it is the key

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to addressing all the problems in China. To attain the grand objectives set for modernization, address the nation's economic and social contradictions and problems, and continue to improve the people's living conditions, we must maintain a relative fast growth. Today the trend towards economic globalization has intensified, the scientific-technological revolution is developing rapidly, industrial restructuring is picking up speed, and international competition has become even more vigorous. The pressure of developed countries' economic and scientific-technological supremacy and the pressure of hegemonism and power politics will continue for a long time to come. We must be soberly aware of the opportunities and challenges China will face as result of the profound changes and developments in the world, and we must heighten our sense of urgency and concern. We must press forward and work hard to improve our comprehensive national strength and capacity for international competition. By no means should we follow the beaten track and miss the opportunities for development. The situations at home and abroad require us to act firmly on the spirit of the 15th National Party Congress, unwaveringly focus on economic construction, seize opportunities, and accelerate development.

To achieve a sustained, rapid and healthy national economic development, we must focus on improving our economic performance and carry out strategic readjustments of the economic structure. The problems in our economic structure are primarily irrational industrial structure, uncoordinated regional developments, and low degree of urbanization. These are the outstanding problems on China's economic development today. Only when we have addressed the problems of economic structure can we expand internal demand and increase effective supply, and can we truly improve the overall quality of the national economy and take the initiative in the increasingly fierce international competition. We must proceed with the adjustments of the economic restructure during development, and maintain a fast growth while adjusting the economic structure. The main assignments for the strategic adjustments of the economic structure are: Optimizing the industrial structure, and improving the overall performance and returns of agriculture, industry, and services; rationally adjust the distribution of productive forces so as to bring about a coordinated development between regional economies; expedite urbanization step by step and promote virtuous interactions between urban and rural economies; and make special efforts to improve the infrastructure and the ecological environment essential for achieving a sustainable development. We must continue to accomplish industrialization, which is a formidable historical mission in the nation's modernization process. We must energetically expedite the application of information technology in economic and social sectors. This is a strategic move that has a close bearing on the performance of modernization as a whole. We must, through the widespread application of information technology, promote industrialization and give play to the strength of the nation being a new player so that our social productivity will achieve leap-and-bound developments.

To promote economic development and restructuring, we must count on institutional and scientific-technological innovations. We must deepen reforms, give full play to the role of market mechanisms, and proceed with adjusting the distribution and ownership of state-owned economies so that the relations of production are in line with the development of productive forces and can further liberate and develop the productive forces. We must continue to carry out the strategy of building a stronger country through science and education, promote scientific-technological advancements and the training of proficient personnel, and give full play to the decisive role of science and technology being the primary productive forces. Accomplishing the 10th Five-Year Plan and maintaining a sustained, rapid and healthy economic development depend on making breakthroughs in institutional reforms and

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scientific-technological advancements, and on bringing about a fundamental change in our economic system and the form of economic growth.

The 10th Five-Year Plan will be the first five-year plan of the new century, the first five-year plan for the third-step strategic scheme for modernization, and also the first five-year plan following the establishment of the preliminary socialist market economic system. To draw up the 10th Five-Year Plan, we must regard development the theme [zhuti]; make restructuring the main line [zhuxian]; make reforms, opening up and scientific-technological advancements the driving force [dongli]; and consider improving the people's living conditions the fundamental starting point [genben chufadian]. We must comprehensively assess the new situation after China joins the World Trade Organization [WTO], making sure that it will fully reflect the requirements for developing the socialist market economy. In the face of the situation and assignments for the new stage of reforms, opening up and modernization, we must continue to uphold the party's basic theories, basic lines, and basic platforms; continue to emancipate our minds; seek truth from facts; correctly handle the relationships between reforms, development, and stability so as to expedite economic development and progress in all social sectors. To this end, we must pay special attention to studying and addressing the important strategic, macroscopic, and policy issues.

1. We must Consolidate and Strengthen Agriculture being the Foundation of the National Economy

Strengthening agriculture is an important aspect in the adjustment of the economic structure, and also the foundation for maintaining economic development and social stability. The shortages in arable land and water resources are what have long been restraining China's agricultural development. Population growth and continuous rising degrees of consumption will set even higher demand for agricultural production. We must attach great importance to preserving and increasing food productivity, build bases that yield stable commodity grain, and create a food security system in line with the national situation and the socialist market economy so as to ensure a basic balance of food supply and demand. We must fully understand the importance and formidability of agricultural development and always consider agriculture the top priority of national economic development, and ensure sustained and stable agricultural development on the basis of having improved its overall performance and yields.

Doing everything possible to increase peasants' incomes not only has a close bearing on the development of agriculture and the rural areas, but also on the national economy as a whole. We must energetically adjust the agricultural structure, actively broaden the areas in which peasants can increase their incomes, increase support and protection for agriculture, and take actual steps to reduce peasants' burdens so that peasants' incomes can increase in a sustained manner.

The restructuring of agriculture and the economic system in the rural areas must be geared to market needs, and it should count on science and technology so as to increase production both in breadth and depth. We should energetically readjust the mix of agricultural products, focusing on optimizing seed strains, improving product quality, and increasing yields. We should accelerate the development of animal husbandry and aquatic production and upgrade the processing of agricultural products so as to increase returns. We should rationally readjust the regional distribution of agricultural production so that different localities can give scope to their comparative advantages in agricultural production. We should guide township and town enterprises to proceed with their restructuring, technological upgrading, and set up new

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systems of operations so that they will develop in a healthy manner and speed up the transfer of surplus labour force from the agricultural sector. We should promote the establishment of socialized agricultural services, especially services in terms of science and technology as well as information. We should support the innovation and popularization of agricultural science and technology so that more rural households can gain access to advanced and useful technologies. We should speed up the establishment of a system about market information of agricultural products, food safety, and quality standards, and guide the peasants to produce quality agricultural goods the market needs.

Deepening rural reforms is the fundamental measure for protecting and arousing peasants' enthusiasm. We should speed up institutionalizing the rural areas' land system and stabilizing the two-tier system that combines unified and independent management on the basis of contracted household operations. While reviewing the experiences gained from launching pilot projects, we should speed up reforming the rules governing the collection of taxes and fees in the rural areas. We should actively and steadily proceed with restructuring township and town organizations. We should continue to restructure the distribution and marketing of agricultural goods; develop the businesses of marketing, storage, and preservation of agricultural goods; and let all intermediary bodies play their active parts in activating the distribution of agricultural products. We should perfect the rules that ensure protective prices for grain purchase, grain reserves, and funds against risks in grain production. We should reform the rural areas' financial system, improve their financial services, increase investments for agricultural credit, and let credit unions 'in the rural areas play their parts in supporting rural households' production and operations. We should continue to reform the rural areas' supply and marketing cooperatives. We should make industrialized operations of agriculture an important way to expedite agricultural modernization, encourage and support the agricultural product processing and marketing businesses to help rural households gain market access so as to create the form of organization and operating mechanisms that govern the sharing of interests and risks.

2. We should Speed up Industrial Reorganization and Transformation, and Structural Optimization and Upgrading

Industrial reorganization and transformation and structural optimization and upgrading are an urgent task in carrying out strategic adjustments of the economic structure, and they are very important for ensuring a sustained economic growth. With the market as the guide, enterprises as the players, and technological advancements as the support, we should set priorities, proceed in some areas while retreating in some others, and work hard to improve Chinese industries' overall quality and competitiveness in the world.

The relatively strong industrial foundation China has built is an important basis for the country's national economic development. We should earnestly change the mode of industrial growth, increase the capacity for technological innovations, actively adopt high technologies and useful advanced technologies, and speed up transforming the traditional industries. Surrounding the need of increasing varieties, improving quality, conserving energy and other resources, controlling pollution and increasing labour productivity, we should transform a large number of mainstay enterprises in the energy, metallurgical, chemical, light, textile, machine-building, automobile, construction material, and construction trades by upgrading their technologies and equipment. We must energetically rejuvenate the equipment manufacturing industry. While upgrading key technologies and building large projects, we should make

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efforts to improve their designs and manufacturing technology, promote mechano-electronic integration, and build complete sets of advanced equipment for all trades and professions. We should take measures for promoting the transformation of the old industrial bases and make efforts to upgrade their industries, giving full scope to the strong foundation they have already built and the many talented personnel they have. Cities and large mining districts engaged primarily in tapping their natural resources should develop connecting and substitution industries in a way appropriate to the local conditions. We should speed up developing high-tech industries relevant to electronic information, bioengineering, and new materials so as to create new points of industrial growth. We should closely integrate the transformation of traditional industries and the development of high-tech industries so as to optimize and upgrade the industry as a whole and ensure its sustained development.

We should employ economic, legal, and the necessary administrative measures to close those factories and mines that produce inferior products, that waste resources, that cause serious pollution, and that do not have measures for ensuring production safety. We should replace the outmoded equipment, technologies and craftsmanship and compress the excessive productive capacity of some trades. We should perfect the mechanisms by which enterprises can retreat from the market so that those deficit-ridden enterprises that have long been insolvent and can in no way become profitable businesses again can declare bankruptcy. We should act positively and steadily to close those mines that have depleted their resources. We should increase the efficiency of the use of allotted resources by restructuring these enterprises as well as by prompting others to retreat.

We should speed up the reorganization and restructuring of enterprises in accordance with the principle for the division and cooperation of specialized labour and the establishment of economies of scale. To increase the concentration of industries and improve their capacity for product development, we should, through merger, association, and reorganization, create a large number of big companies and enterprise groups that own their intellectual rights, whose main operations are outstanding, and that have strong core capabilities. We should actively support the medium and small enterprises, especially the technology enterprises, and encourage them to develop in the direction of turning themselves into enterprises that produce "professional, precision, specialized, and new products." Under the state's macroeconomic regulation and control, we should give full scope to the role played by market mechanisms so that large and small enterprises can develop in a coordinated manner under the guidance of large enterprises.

While reorganizing and transforming our industries, we must follow the law of market economy and provide proper investment guidance. We should count on the foundation they have already built and guard against unrealistic expansion and redundant construction. We should take into consideration the fact that the country has a surplus labour force and so we should attach importance to developing labour-intensive industries. While purchasing foreign technologies, we should also carry out our own innovations, making sure that the advanced technologies are useful.

3. We should Energetically Develop the Service Trade

While launching strategic adjustments of the economic structure, we must speed up the development of the service trade, increase the total number of businesses, optimize their structure, broaden the sphere of services, and improve their services. We should develop modern services, reorganize and transform traditional services, making sure that the added value of the service trade will account for a larger

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percentage of the GDP and that the number of service trade employees will account for a larger percentage of the total number of employees in all social sectors.

The modern service trade must improve its services and technology. It must take the lead in improving the performance of the entire trade by offering informational, financial, accounting, consultative, and legal services. Traditional services should transform themselves by instituting modern management and techniques for better services. They should pay special attention to organizing and developing services that facilitate commodity distribution, transportation, shipping, as well as services needed in cities. They should promote chain operations, commodity delivery, all forms of transport service, and on-line sales; and they should make efforts to improve their services and returns.

The services to be developed should gear to the needs of urban residents. We should continue to develop a real estate industry by building inexpensive housing units suitable for living and promote and regulate real estate management. We should actively promote tourism, develop and preserve tourism resources, and produce more tourism-related products. We should speed up the development of community services and develop services that are in the interest of residents. To meet the services that consumers need, we should provide guidance for the development of cultural, recreational, educational and sports facilities for physical fitness and health. We should also develop and increase rural services and improve their consumption environments.

We should speed up the pace of socializing the service trade and subjecting it to market needs. We should break the monopoly in certain services, broaden market access, introduce mechanisms for competition, and encourage all businesses to optimize and reorganize their operations.

4. We should Speed up the Process of Applying Information Technology in Handling Economic and Social Affairs

Applying information technology in economic and social development has become a general trend in the world today, and also a key aspect of China's industrial optimization and upgrading as well as industrialization and modernization. We should give priority to the application of information technology in handling economic and social affairs. We should keep pace with the development of information technology in the world, be aware of market trends, create new systems, and strive to achieve leap-and-bound developments in China's information industry.

We should promote widespread use of information technology in society, popularize the use of computers and computer networks, and tighten the development and use of information resources. To speed up the use of information technology, governments should employ digital and network technologies in handling their administrative management and social services, and enterprises should employ technology in handling their production and operations. We should heed consumers' needs and provide them with all kinds of information products and network services. We should create the conditions that can facilitate widespread use of information technology in banking, financial, taxation, and trade departments; and we should speed up the development of electronic business. We should promote the integration of the information and cultural industries. Schools of all descriptions at all levels must actively promote computer and network education. We must popularize knowledge of information technology and the skills of using the technology.

We should make greater efforts in building a modern infrastructure for information transmission. We should tighten our efforts in developing and perfecting the state's high-speed, broadband transmission network, speed up the construction of networks

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that connect subscribers, broaden the use of the Internet, and promote the assimilation of the three networks – telecommunications, television, and computers. We should improve the state's public information network, and tighten legislation and management about the use of information technology. We should also build a stronger system that safeguards the security of information networks.

We should speed up the development of the information industry. Priority should be given to industrializing the development of such core information technologies as those relevant to superlarge integrated circuits [IC], high-performance computers, large system software, super-high speed network systems, new generations of mobile telecommunications equipment, and digital television systems. We should speed up the development of the software industry and chip industry; support the development of new devices and components, computer network products, and digital audio and visual products; improve our capacity for the integration of information equipment and systems; and satisfy the market needs of all sorts of information products. We should also actively develop information services, and especially network services.

5. We should Continue to Intensify Building Water Conservation, Communications and Energy Infrastructure

Intensifying our efforts in building the infrastructure is a very important task for the next five to 10 years. We should optimize the structures, adjust the layouts, improve the quality of construction projects, broaden the investment channels, and pay attention to the returns from investments so as to bring infrastructure construction to a higher level.

With respect to water conservancy facilities, we must plan comprehensively and make overall plans that take the needs of all quarters into consideration and that deal with short-term and long-term issues together. We must make sure that these facilities are beneficial and can control natural disasters, tap and conserve resources, and control flooding and combat droughts. We should make great efforts to address such problems as flooding, insufficient water resources, and water pollution. We should scientifically draw up and implement the nation's master plan for building water conservancy facilities and various other plans for developing the big river basins. We should speed up the control of large rivers and big lakes, intensify our efforts in building projects that control main rivers and reinforcing vulnerable dams to improve their flood-control capabilities. We should build more medium-size and small dams and keep them in proper maintenance. We should intensify the construction of flood-control projects in cities. We should build ancillary water conservancy facilities and operate and manage them properly so as to accelerate the transformation of the existing irrigated areas. Sustainable use of water resources is a strategic issue of China's economic and social development. The core issue is to improve efficient use of water and give priority to water conservation. We must tighten the planning and management of water resources, rationally allot water resources in all river basins, and coordinate the use of water for living, production and preserving the ecology. While planning municipal construction and industrial and agricultural production, we should give full consideration to the tolerance of our water resources. We should promote measures for water conservation, and develop water-efficient agriculture, industry, and services. We should turn our society into one that conserves water. We should tighten our efforts in controlling the sources that cause water pollution, reform the water management system, and establish the mechanisms that set rational water rates so as to encourage people in society to conserve water and control water pollution. We should take all kinds of measures to alleviate northern China's

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water shortages, tighten the planning of the project of diverting water in southern China to the north so that the construction can begin as soon as possible.

With respect to communications, we should plan all projects comprehensively and rationally; intensify the construction of highways, railways, ports, airports and management systems; and improve the modern, comprehensive transportation systems which are unimpeded, safe, and efficient. We should tighten our efforts in building the principal national highways and improve the highway networks so that they can gradually reach more remote areas. We should intensify the construction of roads in cities. We should build more trunk railways, expand our railway networks, rebuild the existing railway routes so that trains can operate more efficiently, and build an appropriate number of high-speed railways and tracks for communications in big cities. We should intensify the construction of important seaports along coastal areas, intensify the management of inland rivers, develop waterborne transportation, and build international shipping centres. We should improve our airline networks by building more airports for connecting flights and by making our pivotal airports even better. We should create our oil and gas delivery systems by intensifying the construction of more pipelines.

With respect to energy development, we should give play to the advantages of our resources, optimize the mix of energy resources, make their use more efficient, and intensify our efforts in preserving the environment. We should restructure coal production, develop the technology of producing clean coal, produce more fine and clean coal, and replace the outmoded production methods. We should tap our oil and natural gas resources at the same time, and accelerate the process of finding, developing, and using oil and natural gas. Through cooperative development and other ways, we should actively utilize oil and natural gas resources produced in other countries. In terms of power construction, we should be aware of the current situation, anticipate long-term needs, adjust the mix of electric resources, intensify the construction of power grids, and promote the linkage of the nation's power grids. We should fully utilize the existing generating capacity, develop hydroelectricity, make use of the electricity generated by large generators built in coal mines, curtail the construction of small thermo power plants, and appropriately develop nuclear power generation. We should deepen the reform of the power systems, gradually separate power plants and power grids so that they will sell their electricity at competitive prices, and create the mechanisms that set rational electricity rates. We should develop new energies and renewable energies. We should promote the technology for energy conservation and multipurpose use of energy.

6. We should Develop Western China in a Big Way and Promote Coordinated Regional Development

Implementing the strategy for the development of western China and speeding up the development of the central and western parts of China have a close bearing on economic growth, national solidarity, and social stability as well as on coordinated regional development and the eventual common prosperity of all regions. [This western development strategy] is an important move for achieving the third-step strategic objective. The development of western China is a Herculean historic task, and so we must have a sense of urgency and prepare ourselves mentally for waging protracted struggles. We must proceed from reality, press forward, do what is within our ability, make overall plans, conduct scientific feasibility studies, set priorities, and carry them out step by step. We should make efforts so that, from five to 10 years, we will have made some breakthroughs in building the infrastructure and preserving

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the ecological environments in western China so that the development of western China will have a good start.

To develop western China, we should speed up building its infrastructure. We should ensure the needs of some important projects relevant to communications, water conservancy, telecommunications, power grids, and urban infrastructure that can facilitate the delivery of natural gas and electricity produced in western China to the eastern part of China. We should tighten our efforts in launching construction projects that preserve the ecology and the environment, and proceed systematically in a well-planned manner to turn farmlands back to wooded areas or grasslands so as to improve western China's production conditions and ecological environment. We should actively adjust its industrial structure, intensify agricultural production, develop industries with distinctive local characteristics, promote rational development and intensive processing of its rich resources, speed up the development of tourism, and make efforts to turn it into an economic strength. We should develop science and technology education there, do a good job in training, using, and bringing in useful personnel, promote exchange of cadres, and promote the use of high technology and useful advanced technology. We should make use of the main communication routes – such as the Eurasian continental bridge, the Yangzi [Yangtze] River, and the corridors in southwest China that lead to the sea – and give full scope to the roles played by key cities in promoting development in major areas by using these routes to link up cities, which in turn can lead the development in adjacent areas. The state should carry out policies and measures for supporting priority development projects in western China and should increase its investments there. We should intensify our efforts in transferring financial resources to western China, especially to areas inhabited by national minorities. We should speed up the reforms in western China and the pace of opening up western China to the outside world as well as to other parts of the country by giving play to the vitality of economies of all forms of ownership.

Central China, to give play to its resources as well as its geographical advantage that links eastern and western China as well as southern and northern China, should speed up development by striving to make itself more industrialized and urbanized. Central China should actively turn the key areas along major waterways and land routes into new points of economic growth and economic belts, actively industrialize its agricultural production; develop regional, specialized and large bases of producing and processing agricultural commodities. It should also intensify its efforts in transforming its traditional industries with high, advanced, and useful technologies so that these industries will gradually become competitive industries with their own distinctive characteristics.

Coastal areas in the east should continue to play their leading role in the nation's economic development. Areas with resources should strive to become the precursors of achieving modernization. These areas should speed up optimizing and upgrading their industrial structure by developing high-tech industries, continuing to develop export-oriented economic undertakings, and making special efforts to improve their international competitiveness. They should actively explore their domestic markets, promote all forms of regional and technical cooperation in which regions can complement each other's strengths, and support development in western and central China.

7. We should Actively and Steadily Promote Urbanization

A greater degree of urbanization, and relocation of the rural population, can provide vast markets and long-lasting power for economic development, and so they

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are important measures for creating a virtuous cycle of the national economy and coordinated social development. Along with rising agricultural productivity and the accelerating process of industrialization, the conditions for China to promote urbanization are ripening, and so we must seize the opportunity to carry out the urbanization strategy.

Developing small towns is an important way to promote urbanization in China. Small towns must be rationally distributed. Their planning must be scientific, their size must be appropriate, and their actual usefulness must be considered. We should place the priority of development on county seats and some organic towns that have good infrastructure and have great potential for development so that, when they have improved their functions as quickly as possible, they can bring in more inhabitants and can play the part of regional economic and cultural centres in the rural areas. The key to developing small towns rests with making these towns economically prosperous. Thus, we should rationally concentrate enterprises in these towns, perfect the market systems in rural areas, industrialize agricultural operations and socialize various other services while building these towns. We should broaden the channels for investment and loans and encourage enterprises and urban and rural residents to invest in building small towns through giving play to the role of market mechanisms under government guidance. We should reform the household registration systems in small towns. Under the premise of preserving arable land and safeguarding peasants' legitimate rights and interests, we should properly resolve the problem of land needed for urban construction. We should come up as soon as possible with an administrative system compatible with small towns' economic and social conditions.

The degrees of economic development and market development differ greatly in different regions. We should take into consideration actual local situations while promoting urbanization so that we can gradually create a rational urban system. We should pay attention to developing intercity economic ties and let medium and small cities play their part in guiding the development of small towns. While paying attention to developing small towns, we should also actively develop medium and small cities, improve the functions of key regional cities, give play to big cities' role in influencing and guiding the growth of areas around them, and improve all forms of municipal planning, construction, and comprehensive management so that we can develop a way for urbanization – a way that is in line with China's national situation and a way in which large and medium cities and small towns can develop in a coordinated manner.

8. We should Promote Scientific-Technological Advancement and Innovation

Scientific-technological advancement and innovation are decisive factors for increasing China's combined national strength. In light of the policy that we should do certain things but not some other things, we should keep pace with the general trend of development, make breakthroughs in selected areas, expand our capacity for scientific-technological innovation in a sustained manner, and achieve leap-and-bound technological developments so that we can always provide powerful technological support for our strategic adjustments of the economic structure and modernization drive.

The priority task in scientific and technical progress and innovation is to strengthen technical innovation, develop new and advanced technologies, and raise the level of industrial technology. We should aggressively promote research in new and advanced technologies which have strategic significance, concentrating our forces to achieve breakthroughs in such key areas as information technology, biotechnology, new materials, advanced manufacturing technology, and aerospace technology, and im-

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prove our independent innovation capabilities in some high-tech areas which have a bearing on our national economic lifelines and security. Through the implementation of major new and advanced technology engineering projects, we should promote the transformation of the results of advanced technology and strive to achieve industrialization in areas such as the design and fabrication of submicron and deep submicron integrated circuits, high performance computers, optoelectronic materials and components, bioengineered medicines, biochips, and agricultural bioengineering, etc. We should accelerate the promotion of the technological upgrading of traditional industries, selecting a certain number of priority areas such as equipment manufacturing, in-depth processing of agricultural products, and the comprehensive utilization of resources, etc., accelerating the development of common technologies, key technologies, and complementary technologies that can promote structural upgrades. We should strengthen basic research and applied basic research, taking aim at the leading edge of world scientific and technical developments, selecting research areas where China enjoys a certain superiority and which are of major significance to national economic and social development, concentrating our forces, achieving priority breakthroughs, and striving to achieve new advances in areas such as genome studies, information science, nanometre science, ecological science, and earth science, etc.

Institutional innovation is a guarantee of scientific and technical progress and innovation. We should intensify structural reforms in science and technology, creating new mechanisms that conform to the demands of a market economy and the rules of scientific and technological development, optimizing the allocation of scientific and technical resources, enhancing technical integration, and further resolving the problem of a disjunction between science and technology and the economy. We should promote the establishment of a national innovation system, urging enterprises to become principal players in technical progress and innovation. We should strengthen the integration of industry, academia, and research, encouraging applied- and development-type scientific research institutes to join with enterprises or convert themselves into enterprises. We should establish a science and technology middleman service system in which service functions are socialized and networked, establishing risk investment mechanisms, developing the capital markets, and supporting the industrialization of new and advanced technology. We should increase the investment in science and technology by the country and society as a whole and improve investment returns. The policy environment for the promotion of technical innovation should be improved, creating a social climate that encourages scientific and technical innovation. We should expand international scientific and technical exchanges and cooperation, encouraging foreign-owned enterprises to set up research and development offices in China, supporting Chinese scientific and technical companies in going abroad to carry out research and development, and promoting the sharing of resources and information. We should strengthen efforts to popularize science and vigorously promote a scientific spirit throughout the entire society.

9. Vigorously Develop Talented Human Resources and Accelerate the Development of the Education Effort

Human talent is our most precious resource. International competition today and in the future is, in the final analysis, a competition of human talent. We must concentrate conscientiously on the training, attraction, and skilful use of human talent as a major strategic mission. We should achieve a universal improvement in the quality of our workers, establishing an enormous contingent of high-quality human talent, and in particular developing a large group of specialists who are urgently

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needed in areas such as information, finance, financial accounting, foreign trade, law, and modern management, etc.

Education is the basis for developing human talent, and it plays a leading and overall role in economic and social development, so its development should be handled in an appropriately leading manner. In developing education, we should be oriented towards modernization, the world, and the future, following the path of reform and innovation. We should update the subject matter of our educational materials, improve our teaching methods, reform the testing system, concentrate on promoting quality education, emphasize the development of an innovative spirit and practical capabilities, promote the overall moral, intellectual, physical, and aesthetic development of the students, and raise the quality of our development of human talent. We should improve the level of educational modernization and computerization, energetically developing modern distance learning. We should readjust and allocate our existing educational resources rationally, strengthen the development of academic disciplines, and readjust the specialities offered in keeping with the human talent demand mix. We should optimize the teacher mix and develop a contingent of high-quality instructors. We should continue to intensify reforms of the educational management system and how schools are run, actively encouraging diversification in the forms of schools run by society. We should increase the state's investment in education. We should continue to popularize nine years of compulsory education, eradicate illiteracy among youths and mature adults, and expand education at the high school level and the scope of higher education. We should actively develop a variety of professional education and training courses. We should improve the continuing education system and gradually establish a system of life-long education.

We should strengthen the development of the ranks of human talent, striving to create an excellent environment for the skilful use and attraction of human talent and creating a social atmosphere of respect for learning and human talent and which encourages new undertakings. We should accelerate the establishment of a mechanism which is conducive to bringing out various kinds of outstanding human talent and to people putting their talents to full use. We should have a high regard for the development and use of talented youths, and we should optimize the speciality/age mix of talented individuals, promoting the rational distribution of human talent by industries and regions. We should improve the intellectual property rights protection system. We should establish and perfect a human-talent market system with sound mechanisms, standardized operations, thorough services, and powerful guidance and oversight, promoting the rational circulation of human talent. We should adopt various measures to attract and hire high-level human talent from overseas. We should continue to implement policies which support study abroad and encourage people to return to China and to come and go as they please, encouraging personnel who have studied overseas to return to China to work or serve the motherland in an appropriate capacity.

Talented leaders are a critical element in carrying on from the past and forging ahead in the socialist modernization effort. We must proceed from a strategic perspective and concentrate on the long-range development of various undertakings and the overall demand for human talent in training and developing a contingent of various kinds and various levels of high-quality talented leaders who will resolutely follow the path of socialism with Chinese characteristics, who have fairly high attainments with regard to political theory as well as a pioneering spirit, who are well versed in modern scientific, cultural, and management knowledge, and who have also undergone the test of practice. We should strengthen the development of leading cadres at every level, particularly the ranks of younger cadres, concentrating on this effort as a major undertaking which will determine

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China's future development prospects. We should intensify the reform of the cadre personnel system, updating our concept of how people are chosen, widening the channels, and creating the right conditions for the growth, selection, and appointment of outstanding young leaders.

10. Strengthen Management of the Population and Resources; Emphasize Ecological Projects and Protection of the Environment

Implementing a strategy of sustainable development has a bearing on the vital matter of the survival and development of the Chinese nation.

We should continue to exercise strict control over the size of the population and work to improve the quality of the population. We should stabilize the current birth control policies, maintaining a low birth rate and promoting good childbirth and childcare. There should be a priority on doing a good job of birth control work in the countryside, particularly in the rural areas in the midwestern region. We should strengthen the management of birth control among the transient population. We should strengthen birth control publicity and education and the establishment of a legal system. We should pay attention to the ageing society trend, striving to resolve the problems of social security and the spiritual and cultural lives of the elderly population.

We should use our resources rationally, conserving and protecting them and improving the resource utilization rate. We should protect and develop water, land, mineral, forestry, grassland, marine, and other such national resources in keeping with the law. We should strengthen prospecting for resources, establishing and promoting a system in which the use of resources is compensated. We should perfect the system of national strategic resource reserves. We should rigorously enforce the basic farmland protection system, protecting arable land conscientiously. We should promote the in-depth processing and overall utilization of resources.

We should strengthen ecological construction and curb the deterioration of the ecology. We should make a major afforestation and grass cultivation effort, promoting the development of a system of shelterbelts in the northeast, in northern China, and in the northwest, concentrating on natural forest protection projects on the upper reaches of the Yangzi River and the middle and upper reaches of the Yellow River, improving the national forest coverage area. We should intensify the sand prevention and control effort, accelerate the control of small watersheds and reduce soil erosion. We should strengthen grassland development, guarding against overgrazing and curbing the deterioration and desertification of grasslands. Widespread urban greening efforts should be launched. We should concentrate on the Beijing-Tianjin ecological zone construction project. We should enhance the development of nature preserves and model ecological zones, protecting the biodiversity of our land and seas.

Environmental protection and control efforts should be intensified. We should strengthen the overall control of air, water, garbage, and noise pollution in the cities and achieve obvious improvements in the quality of the environment in the larger cities. We should emphasize the control of rural pollution. We should control and treat industrial pollution, accelerating the promotion of clean production technology. We should continue to concentrate on controlling pollution in key drainage areas, regions, and sea areas. The environmental protection industry should be developed vigorously, strengthening research and development on key industrial protection technology and processing equipment. We should improve the environmental, climate, and earthquake monitoring systems. Disaster-prevention and mitigation work should be intensified. Ecological construction and environmental protection laws

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and regulations should be perfected, strengthening law enforcement and oversight. Environmental education campaigns should be launched to raise the environmental-protection consciousness of all the citizens.

11. Further Intensify Reforms and Perfect the Socialist Market Economy System

In the final analysis, economic development and structural readjustments must rely on reforms. We should explore boldly, daring to innovate and breaking through systemic obstacles that affect the development of the productive forces, gradually perfecting the socialist market economy system.

Reform of the state-owned enterprises (SOEs) is the core of reform of the economic system. Reform of the larger SOEs should be intensified, establishing a modern enterprise system with clear property rights, clear rights and responsibilities, a separation of government and business functions, and scientific management, improving the corporate governance structure in the enterprises and making them into the main players in market competition [shichang jingzheng de zhuti]. Effective approaches to the management of state-owned assets should be explored aggressively, establishing standardized oversight mechanisms. Larger SOEs should be encouraged to institute shareholding systems through forms such as standard market listing, China-foreign joint ventures, and cross-shareholding, etc. We should go further in lifting the controls over and invigorating the smaller SOEs.

The multilevel nature of the levels of social productive forces and the diversity of the ownership structure are major features of the initial stage of socialism in China. The basic economic system in China is one in which public ownership is the mainstay [zhuti], along with joint development of economies of diverse ownership, and the non-public ownership economy is an integral part of the socialist market economy. We should continue to adjust and improve the ownership structure in keeping with the demands of the development of the social productive forces. We should create an environment of equal competition for the development of various kinds of enterprises, supporting, encouraging, and guiding the sound development of privately-run and individual enterprises, especially smaller S&T-type enterprises.

The markets should be opened further, establishing and perfecting a nationwide, unified, standardized, and orderly market system with fair competition. We should break down sector and trade monopolies and regional blockades, deregulating prices further and giving play to the fundamental role of the market in allocating resources and in achieving structural readjustments. We should continue to develop commodity markets, putting a priority on the development of key element markets and promoting the rational circulation of key production elements. Funding channels should be widened, raising the proportion of direct enterprise funding and promoting the transformation of the operating mechanisms of the enterprises. We should standardize and develop the securities market, training and developing institutional investors. Market oversight and the disclosure of information on listed companies should be strengthened. By comprehensively applying plans as well as fiscal and financial means and bringing into play the role of prices, taxation, interest rates, and exchange rates, we will guide and promote the economic structural reform and ensure a stable economic growth. We will persist in the policy of expanding domestic demand and implement a relevant macro-regulatory and control policy in light of the economic situation. For the near period, we will continue to carry on an active fiscal policy and stimulate enterprise and social investments, to promote consumption. We will further improve the revenue-sharing system. We will actively promote the budget system reform, improve the financial transfer payment system, and actively and steadily carry forward the reform of taxation expenses. We will improve the taxation system and

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strengthen tax collection and management. We will gradually raise the proportion of the gross domestic product to state revenues, and the proportion of central revenues to the country's revenues as a whole. We will improve our fiscal protection ability, guard against fiscal risks, and strengthen our fiscal supervision and management. We will gradually form a public property framework that corresponds with socialist market economic needs.

We will deepen our financial reform, improve our financial organization system, market system, supervisory system, as well as regulatory and control system. We will implement a steady monetary policy, regulate the volume of money supply in a timely manner, safeguard the stability of the renminbi value, and support the economic structural adjustment and economic growth. We will steadily promote the reform of interest rates towards marketization, improve our financial service, and strengthen the competitiveness of China's financial enterprises. We will comprehensively reform wholly-owned state commercial banks according to the modern bank system. We will improve and bring into play the role of banks established for policy purposes. We will develop the insurance business, widen the insurance market, and improve the operation and management of insurance enterprises. We will strengthen our financial supervision and management, guard against and defuse financial risks, and improve the quality of financial assets. We will maintain the basic balance of international payments and improve the floating exchange rate system in such a way that it will be based on market supply and demand and properly managed.

We will continue to carry forward our administration and management system reform and institutional reform, further transform government functions in accordance with the need to develop the socialist market economy, and realize the separation of government administration from enterprise management. The government will concentrate its efforts on exercising macroeconomic regulation and control well and creating a sound market environment. It should not carry out direct intervention in enterprises' operations and should reduce its administrative supervision over economic affairs. We will promote the reform of the capital investment and capital-pooling system. We will continue to reform and streamline government institutions and establish an honest and highly efficient administrative system that operates in a coordinated way and acts in a standardized manner.

12. Further Expanding Opening up Scope, Developing Open-Type Economy

During the 10th Five-Year Plan, China's opening up will enter a new period. Following China's accession to the WTO, the country will face the development opportunities of introducing more foreign capital, technology, and managerial experience, of promoting the optimization and upgrading of its industrial structure, and of expanding its exports; it will also face severe challenges by international competition. We should, with a more positive attitude, seize these opportunities, face these challenges, pursue the advantages and avoid the disadvantages, continuously improve our enterprises' competitiveness, carry forward our omnidirectional, multitier, and broad-covering opening up, and promote our modernization drive.

We will improve the investment environment, expand the scope of utilizing foreign capital, and improve the quality of utilizing foreign capital. We will closely combine the introduction of foreign capital with the industrial structural adjustment, and state enterprise reform with the large-scale development of western regions. We will step by step, introduce the opening up of banks, insurance businesses, telecommunications, foreign trade, domestic trade, tourism, and other service fields, and gradually practice national treatment for foreign investment. We will actively absorb foreign-invested high-tech industries, particularly transnational-company-invested high-tech

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industries, and participate in the reorganization and transformation of state-owned enterprises as well as infrastructural construction. We will boldly absorb and learn from all operational and management methods that correspond with our socialized production needs. We should adapt ourselves to the development trend of transnational investment; actively probe and introduce a procurement, merging, and investment fund, stock investment, and other methods; and utilize medium-and long-term foreign investments. We will rationally utilize the loans provided by international financial institutions and foreign governments, strictly supervise the pooling of capital through foreign loans, and guard against foreign loan risks. We should lose no time in screening, revising, and improving the relevant economic laws and regulations and improve the transparency in this respect.

We will implement better the strategy of winning a reputation through quality and market diversification. We will pay attention to invigorating trade by means of science and technology, optimize the commodity mix, expand the scope of commodities and service fields, and increase the imports of key technology and equipment urgently needed by the country as well as important resources. We will take an active part in the multilateral trade system and strengthen regional economic cooperation. We will strengthen and improve bilateral economic and trade relations and further strengthen and develop our economic and technological cooperation and exchanges with developing countries. We will carry out the foreign trade structural reform in a more in-depth manner and improve the foreign trade and economic cooperation system that corresponds with international standards and China's national conditions.

We will implement the strategy of "going out" [zou chu zu] and strive to make a new breakthrough in utilizing domestic and international resources as well as domestic and international markets. We will encourage foreign-oriented investment that helps display China's comparative strong points; expand the field, channel, and methods of economic and technological cooperation; support competitive enterprises in carrying out transnational operations, in conducting processing trade outside the country, or in developing resources. And we will help them in terms of credit and insurance. We will lose no time in formulating and standardizing the supervisory system over Chinese enterprises making investments outside the country. We will strengthen our management over Chinese enterprises outside the country and the coordination of their investment. We will continue to develop foreign contracted projects and cooperation in labour services, and form amid competition a group of competitive enterprises undertaking foreign contracted projects.

We will actively create conditions to attract foreign businessmen to invest in China's central and western regions. The special economic zones, the New Pudong District, and other coastal areas should further widen the scope of their opening up and create new strong points so that they can serve as a better example for the hinterland economy and help it move forward.

13. Actively Expand Employment and Improve the Social Protection System

Expanding employment is not only an important guarantee for promoting economic development and maintaining social stability but also a major content of macro-regulation and control. It is necessary to continuously maintain rapid economic growth, further develop labour-intensive industrial sectors, and actively develop collective-owned and individual-and private-run enterprises, so as to create even more employment opportunities. An employment system needs to be established in stages and a form of flexible employment should be developed. Intermediary labour service organizations and labour markets should be cultivated and standardized. The employment service system needs to be perfected. On-the-job training must be enhanced. We

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need to bring about a market-oriented employment mechanism. Guidance needs to be provided to laid-off workers and to unemployed people to change their employment concept. The preferential policy that encourages unemployed people to find new jobs on their own will be continuously implemented. And various forms of re-employment projects will also be promoted.

Perfecting the social protection system is a major pillar of the socialist market economic system that has a bearing on the overall situation of reform, development, and stability. There is a need to accelerate the taking shape of a social protection system that is independent of enterprises and institutes, that has multiple fund sources, that is standardized, and that is socialized in terms of management and services. It is necessary to set up a mechanism to secure a social protection fund in a reliable and stable manner as well as a mechanism for effective operation and strict management. A basic pension system for urban workers that combines unified social and personal contributions will be adhered to. Reforms of a basic urban worker medical insurance system and of a public health system will be promoted. There is a need to further improve unemployment insurance system and to gradually include basic livelihood protection for workers laid off by state-owned enterprises in the unemployment insurance system on a trial basis. Enhance and perfect the minimum living support system for urban citizens and gradually raise relief and subsidy amounts for impoverished people in urban areas. We will aggressively develop social protection undertakings including social welfare, social relief, mutual social aid, and provision of preferential treatment to disabled servicemen and to family members of revolutionary martyrs and servicemen. The legitimate rights of women, minors, the elderly, and the handicapped will be earnestly protected. It is necessary to give play to the roles of grassroots organizations and of community organizations in the areas of managing and serving people needing social protection.

14. Improve Life for Urban and Rural Citizens

Constantly raising the material and cultural levels of urban and rural citizens is the starting point and goal of developing the economy, which is also the driving force for boosting domestic demand and ensuring the economy's sustained growth. To enable the populace to enjoy an even more comfortable well-off life, there is a need to further raise the consumption level of food, clothing, and daily necessities among urban and rural citizens; optimize consumption structure; increase service-type consumption; increase urban and rural citizens' living space; raise housing and environment quality; greatly develop the public transportation system; encourage people to buy computers and cars; raise telephone installation rates; strengthen infrastructure construction in urban and rural areas; improve citizens' consumption environment; enrich citizens' cultural life; raise public health levels; stress safe production; step up labour protection; establish an excellent social order; and ensure that people will live and work in peace and contentment.

While developing the economy, it is necessary to constantly help urban and rural citizens increase their incomes, particularly those of low-income households. [We should] deepen reform of the income distribution system by adhering to the principle of stressing efficiency and fairness; and implement the system that is mainly centred on distribution according to work while retaining existing distribution methods and integrate the method of distribution according to work with that of distribution according to production factors. We should encourage the income distribution of capital and technologies and other production factors. With the development of productive forces, science, technology and management, being a major form of labour, begin to play greater roles in social production. Under new historical

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conditions, we must deepen understanding of theories on labour and on labour value. A sound incentive and restraint mechanism for income distribution needs to be set up. Pilot projects on practising an annual salary system among leaders of enterprises and among backbone scientific and technological personnel and on offering them stock options should be implemented. [We should] standardize social distribution order and enhance monitoring and management over monopoly sectors' income distribution; strengthen tax revenues' regulatory function over income distribution; improve personal income tax law and collect inheritance tax; protect legitimate incomes, straighten out irrational incomes, regulate excessive incomes, crack down on illegal incomes, and prevent excessive gaps in income distribution.

Comprehensively develop public health and physical education undertakings and raise the people's health level. Further improve public health service facilities in urban areas, and particularly in rural areas. Enhance preventive public health service. Greatly launch sports activities among the populace as well as promote competitive sports.

Combating poverty and developing impoverished areas is a long-term and arduous task. Concentrate efforts on doing well in the poverty eradication work in central and western China's ethnic minority regions, old revolutionary bases, border and remote areas, and in extremely impoverished regions. It is necessary to insist on the development-type poverty elimination work, increase fund input to fight poverty, enhance infrastructure construction in impoverished areas, pay attention to developing educational, cultural, and public health undertakings, so as to fundamentally improve basic production and living conditions.

15. Strengthen the Construction of Socialist Spiritual Civilization

Building socialist spiritual civilization and developing a socialist culture with Chinese characteristics are important components of the efforts to build socialist modernization, as well as important guarantees for the construction of socialist modernization. Under a background where reform is intensifying with each passing day, the scale of opening up is growing wider and wider, and various kinds of thoughts and cultures agitate one another, we must take a two-handed approach and be tough with both hands [to] realistically strengthen the construction of spiritual civilization to meet the ever-growing spiritual and cultural demands of the people and to comprehensively upgrade the quality of the people. It is necessary to increase the cohesion of the nation and to provide strong ideological guarantees, spiritual impetus, and intellectual support to promote reform, opening up, and modernization.

We should unswervingly conduct education on the basic theory and basic line of the party; straighten out and intensify the guiding position of Marxism; carry forward the spirit of patriotism, collectivism, and socialism; and form a common ideal and spiritual pillar in society. Efforts should be made to set up an ideological and moral system that is suitable to the development of a socialist market economy. We should advocate the enterprising spirit of self-reliance and arduous struggle and forcefully mobilize the whole nation to courageously advance forward. Great efforts should be made to carry forward social ethics, family virtue, and professional ethics and to strengthen ideological, political, and moral education for young people, in particular. Attention should be paid to studying and guiding the trends of thought in society, as well as the way these trends are manifested. It is necessary to strengthen the construction and management of news and public opinion and some ideological and cultural fronts, including fronts of national education, social culture, and recreation. Particular attention should be paid to strengthening the construction and management of news web sites. It is necessary to strengthen propaganda and education on

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spreading scientific knowledge and to oppose feudalism and superstition. Great efforts should be made to carry out a mass campaign to build spiritual civilization and to carry forward scientific, civilized, and healthful life styles.

It is imperative to adhere to the orientation of serving the people and socialism and the policy of letting a hundred flowers bloom and a hundred schools of though contend. With the focus on enlivening socialist culture, we should carry forward our splendid national [minzu] cultures, absorb the beneficial achievements of foreign cultures, resist bad cultures, and improve the cultural and living quality of the whole society. Attention should be paid to developing philosophy and social science. Efforts should be made to study major theoretical and practical questions, to promote the setup of branches of learning, and to blaze new trails in theories. Based on the correct orientation of the news and public opinion, we should develop news publications and radio, and television undertakings. Literary and artistic creation should be enlivened. We should greatly improve the quality of intellectual products and create more and more art treasures that should be worthy of the times and the people. It is imperative to strengthen the construction of scientific and technological and cultural centres, museums, libraries, and places of recreation for young people. In the principle of putting social benefit in the primary place and integrating social benefit with economic benefit, we should intensify the reform of cultural systems and set up a scientific, reasonable, flexible, and highly efficient management system and a mechanism governing the production and management of cultural products. Policies in support of cultural undertakings should continuously be carried out. More investment should be made in major news media, social welfare, and cultural undertakings. Efforts should be made to protect relics. It is imperative to improve policies governing cultural industries, to strengthen the construction and management of cultural markets, and to promote the development of relevant cultural industries.

16. Strengthen the Construction of Socialist Democracy and Legal System

Developing socialist democracy and politics, ruling the country according to law [yi fa zhi guo], and building a socialist country with rule of law [fa zhi 3127 3112] is a major objective of socialist modernization. We should adhere to and improve the people's democratic dictatorship led by the working class with the worker-peasant alliance as the foundation, adhere to and perfect the people's congress system, the multi-party system under the leadership of the CCP, the system of cooperation and political consultation, and the system of autonomous nationality regions. To meet the needs of economic restructuring and modernization, we should continue to promote political structural reform and strengthen the construction of democracy and the legal system.

It is necessary to strengthen the construction of democratic politics and to develop socialist democracy. The people's congresses should strengthen legislation and supervision and the people's deputies should keep close contacts with the people, with a view to making policy decisions more scientific and democratic. It is necessary to advocate democratic election, democratic policy making, democratic management, and democratic supervision; to ensure that the people extensively enjoy their legitimate rights and interests and freedom; and to respect and guarantee human rights. We should strengthen the construction of urban and rural grass-roots organs of political power and masses' self-governing organizations, expand the orderly participation of citizens in politics, and enable the people to handle their own affairs according to law. It is necessary to improve the system governing villagers' self-rule, strengthen the construction of democracy among neighbourhood committees, and adhere to and improve the enterprises' democratic management system with the

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workers' congresses as its basic form. We should further expand grass-roots democracy and make administrative, factory, and village affairs transparent to the public.

It is necessary to strengthen the build-up of a legal system. We should pay attention to setting up and improving a legal system that is suitable to the socialist market economic system. Property, credit, and contract relations should be standardized under market economic conditions. Market order should be safeguarded and equal competition should be protected. We should work out a legal system for government work, be strict in controlling the government, and do administrative work according to the law. It is necessary to improve the system governing government office workers. We should speed up the implementation of a responsibility-based law enforcement system and an evaluation system to improve administrative work and the enforcement of the law. We should expedite judicial reform, improve judicial security, intensify judicial supervision, independently exercise jurisdiction and prosecution according to the law, strictly enforce the law, and justly do judicial work. We should improve restraint mechanisms governing the exercising of rights according to the law and build a legal system [that supports] strengthening supervision over the exercising of rights and establishing administrative honesty. We should intensify education on the socialist legal system and inculcate a strong sense of the legal system in all the people, primarily leading cadres at various levels.

Stability is the prerequisite for reform and development. It is necessary to conscientiously study the new conditions and new problems in social stability and correctly handle the contradiction among the people in the new period in order to ensure social stability. It is necessary to further implement the party's policy on nationalities and develop the socialist new-type national relationship featuring equality, unity, and mutual-assistance to promote common prosperity and progress of all our nationalities. It is necessary to comprehensively implement the party's policy on religion, ensure citizens' freedom of religious belief, administer religious affairs according to law, and actively guide religions to conform to socialist society. It is necessary to crack down on national separatist activities and the illegal activities carried out by taking advantage of religions and to ban heretical sects. We should effectively implement measures for comprehensive management of public security at the grass-roots level, deal strict blows to the criminal offences and various evil forces that endanger state security and social order, and eliminate pornography, gambling, drugs, and other ugly phenomena in society.

We should reinforce national defence to enhance our national defence strength. Strong national defence is the basic guarantee for state security and the modernization drive. While concentrating efforts on developing the national economy, we should actively promote national defence construction. It is necessary to strengthen party building and ideological and political work of the army and ensure the party's absolute leadership over the army. It is necessary to intensify efforts to build the People's Liberation Army into a revolutionary, modern, and regular army. It is necessary to carry out the strategic principle of active defence; uphold quality in building the army, science and technology in making the army strong, frugality in building the army, and strictness in managing the army; make active efforts in reform and innovation; comprehensively improve the quality of officers and men; take the road of building an elite army with Chinese characteristics; and raise defence and operation capabilities under conditions of modern technology, especially high technology. Science and technology industry for national defence is a strategic industry of the state. Through faster restructuring, reform, and development and by combining the efforts of the army and the civilians, making the army participate in civilian work and greatly coordinating with civilians, and taking the initiative in innovation, we should establish a new system of science and technology industry for national

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defence that meets the needs of national defence construction and the market economy. We should strengthen science and technology for national defence, develop high-tech weapons and equipment, and strive to raise the modernization level. We should intensify efforts to build a system of mobilization for national defence and enhance the capability to convert peacetime production to wartime production and vice versa. We should deepen the reform of logistics support to improve the support capability. We should perfect legislation for national defence. We should conduct intensive national defence education to raise all the people's defence awareness. We should forge closer army-government and servicemen-civilian relations.

The party holds the key to attaining the targets of the "10th Five-Year Plan" and winning new success in the cause of building socialism with Chinese characteristics. Continuous efforts should be made to raise the party's level of ruling, especially its ability to manage the overall situation in economic and social development. We should intensify research on the major issues concerning economic and social development and correctly handle the important relations between reform, development, and stability, between central and local authorities, between west China development and east and central China development, between the market mechanism and macro-control, and between economic development and overall social progress. We should adhere to the mass line, broaden the channels for the party to establish ties with the masses in various fields, and have the ability to seek ways of solving problems from the practice of the masses. Party committees at all levels should take the whole situation into consideration, coordinate with all fields, and fully develop the party's role as a leadership core.

In line with the guiding thought that the party should always represent the development needs of China's advanced social productive forces, the forward direction of China's advanced culture, and the fundamental interests of the broadest masses of the people [known as the "three representations" – san ge daibiao], we should comprehensively strengthen party building, persist in managing the party strictly, enhance the party's cohesive force and combat effectiveness, and solidify the party's ruling foundation. We should strengthen the building of the contingents of cadres and leading bodies at all levels, with the focus on developing our cause, replacing the old cadres with the new, and strengthening their cooperation. We should attach importance to building the party's grass-roots organizations and the contingents of party members and strengthen and improve the party's ideological and political work as well as mass work. We should stress study, politics, and healthy trends [known as the "three stresses" – jiang xuexi, jiang zhengzhi, jiang zhengqi]. We should carry forward the party's fine traditions, seek truth and be pragmatic, exert earnest efforts to do solid work, and oppose and overcome formalism and bureaucracy. We should wage in-depth anticorruption struggles, actively explore the characteristics and laws of the anticorruption struggles under the conditions of a socialist market economy, establish and perfect the supervision and management systems, and strive to check the spread of corrupt phenomena from the very outset.

Looking forward into the new century, we have a heavy burden and a long way to go. Faced with ever-changing new developments and new changes in the world and new conditions and new tasks in China's socialist modernization drive, communists must stand at the forefront of the era and shoulder the historical heavy tasks. They must take Marxism-Leninism-Mao Zedong Thought and Deng Xiaoping Theory as the guide, observe the situation, acquire a better understanding of the general task, have the courage to face up to difficulties, have the ability to resolve contradictions, and push our causes forward continuously. They must persist in the ideological line of emancipating the mind and seeking truth from facts, intensify study, actively conduct exploration, continuously accumulate new experience in practice, and con-

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tinuously create new theoretical achievements, so that our party can always retain its vitality and vigour and China's socialist modernization drive can proceed more smoothly.

Mobilize the entire party, closely unite around the party Central Committee with Comrade Jiang Zemin as the core, hold high the great banner of Deng Xiaoping Theory, uplift spirits, pioneer the way forward, work in a down-to-earth manner, and unite and lead the people of various nationalities throughout the country in working hard to attain the targets of the "10th Five-Year Plan," to build a prosperous, strong, democratic, and civilized socialist modern country, and to achieve the great cause of the reunification of the motherland at an early date!

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