Quarterly Chronicle and Documentation

(July–September 2005)

Sources

The principal sources of information on which this chronicle is based are British Broadcasting Corporation, *Monitoring Global News line – Asia-Pacific Political* and British Broadcasting Corporation, *Monitoring Global News line – Asia-Pacific Economic*. These sources, now only available electronically, do not have reference numbers and are only identifiable by date of publication of material. The inclusion of each of these dates would unnecessarily clutter the text and such dates have therefore been omitted, except, at many points, for the original sources from which the BBC reports themselves are taken.

Abbreviations

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

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1. Internal Developments

(a) *The 16th and 17th Sessions of the Tenth NPC Standing Committee*

At its 16th session, the failure by NPC Standing Committee members to agree on controversial questions, such as how to provide compensation

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for the requisition of private property, resulted in the anticipated law on property rights being delayed until at least March 2006. In the meantime, the draft law would be further reviewed in October and December 2005. The new legislation was being formulated against the background of increasingly serious disputes and rural social unrest associated with forced evictions and uncompensated, or insufficiently compensated, requisition – often illegal – of farm land. A senior official acknowledged that "[w]idespread irregularities and a lack of transparency in the process of eviction and land requisition has made the situation even worse in many places" (*SCMP*, 2 July).

At the 17th session of the NPC Standing Committee – and against the background of the deaths of 38 out of over 200 Chinese people who had been infected with the pig-borne epidemic in Sichuan – delegates received a draft law on animal husbandry, intended to improve the safety of meat and poultry sold to consumers. The legislation sought to improve epidemic prevention and control by encouraging a shift from small-scale, scattered livestock farming by households towards larger-scale, consolidated activities. It would also provide for better breeding record-keeping, introduce regulations on farm locations, the use of veterinary feed and medicines, contamination control, etc., and require all stock farmers to report any signs of animal epidemic conditions to local "epidemic prevention and control stations" (XHNA, 23 Aug.).

Ma Kai (Minister of the National Development and Reform Commission) listed ten major tasks to be fulfilled during the second half of 2005 in accordance with the central government's principle of "stable policy, specified guidance, structural readjustment, and further reform and harmonious development" (*RMRB* website, 26 Aug.). They included the following:

- to continue to strengthen farm production and further raise farmers' income;
- to continue to control investment and, in particular, promote the sound development of the real estate sector;
- to accelerate economic structural readjustment of structure and enhance the capacity for innovation;
- to promote further increases in income in order to boost consumption;
- to improve the structure of China's foreign trade and make good use of foreign funds.
- to improve efficiency in resource use in the interests of creating a "resource-efficient society;"
- to increase in fiscal revenue and reduce expenditure, and further optimize the credit structure;
- to improve the co-ordination of economic operations in order to address shortages of energy.

The 17th session of the NPC Standing Committee closed on 28 August after adopting two laws (the Law on Managing and Punishing Public Offences, and the Notarization Law) and one decision (on revising the Law for Protecting Women's Rights and Interests). Delegates also

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approved a number of other decisions and two bilateral treaties (with Pakistan and North Korea, respectively) (XHNA, 28 Aug.).

(b) *Party and Political Affairs; Ideological Developments*

A *People's Daily* article sought to highlight the importance of promoting the "development of the Party's progressiveness," as advocated by Hu Jintao. Adherence to this principle was a basic prerequisite for any Marxist party and an essential condition of securing the support and trust of the people. Developing Party progressiveness was central both to party building and to the consolidation of the CCP as China's ruling party. The failure of some leading cadres to meet the demands placed upon them and their involvement in fraud, falsification of reports, abuse of power and other corrupt practices merely underlined the urgency of strengthening Party progressiveness. To this end, it was essential to inculcate the ethos of serving the people among Party cadres and members in order to maintain the legitimacy of the CCP's right to govern (*RMRB* website, 4 July).

It was reported that in 2004 2.42 million new members joined the Chinese Communist Party (CCP), taking total membership to around 70 million, or almost 5.4 per cent of China's total population. Of the 2.42 million new members, 195,000 were college students, taking the proportion of undergraduates who were CCP members to 8 per cent (cf. a mere 1.9 per cent in 1990). Official statistics were said to show that around 45 per cent of undergraduates attending Chinese higher education institutions – 90 per cent in some universities – intended to join the Party (XHNA, 1 July). A later Xinhua report revealed that the number of female members of the CCP reached 12.956 million in 2004 (18.6 per cent of total membership – 3 per cent more than in 1995) (XHNA, 24 Aug.).

(c) *Social and Legal Affairs*

A Hong Kong source (*Ta-kung pao* [*Dagong bao*], 12 July) stated that the central authorities in Beijing had called for more effective mechanisms to deal with the growing problem of "mass incidents." The number of such incidents had risen explosively in recent years: from 10,000 to 60,000 between 1993 and 2003 (those involved increasing from 700,000 to 3 million). The article's analysis of relevant Chinese sources suggested that mass incidents had three main features: first, they tended to erupt without warning and develop rapidly; second, they were characterized by "tight" organization and "intense" action; third, their origins tended to lie in action taken against the "masses' vital interests" (e.g., rural land requisition, demolition of urban housing, forced removal of residents, inadequate compensation for migrant resettlement).

The *Dagong bao* article quoted Zhai Taifeng (Vice-Chairman of the Chinese People's Political Consultative Conference [CPPCC] Standing Committee) as saying that existing arrangements to deal with social

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disruption associated with mass incidents were inadequate. Hence Zhai's suggestion that a three-level national, provincial and city mechanism be put in place to anticipate, assess and address social problems in order to "nip mass incidents in the bud." The urgency of such measures was highlighted in the increasing frequency and seriousness of social disorder against a background of widening income disparities and uneven distribution of interests (see also *Dagong bao*, 14 July, which noted that in Guangzhou alone, over 300 mass incidents had occurred since the beginning of the year, of which more than 200 were described as "major" incidents).

The Minister of Civil Affairs (Li Xueju) revealed that some 26.1 million members of the rural population were still living in abject poverty (defined in terms of an annual per capita income of 668 *yuan* [c. US$81]). A further 22 million urban residents had to survive on the minimum living allowance. Li added that almost 50 million more rural residents had an annual per capita income below 924 *yuan* (US$112). He claimed that by the end of 2005, a "social aid framework" for needy rural and urban people would have been put in place in 90 per cent of provinces and 70 per cent of all Chinese counties (XHNA, 5 July).

On 2 July the Minister of Health (Gao Qiang) addressed a conference and delivered a report entitled "Develop the cause of health and medical treatment and contribute to the building of a socialist, harmonious society" (XHNA, 1 July). In a review of health development in China, he acknowledged that although quite high by the standards of developing countries, standards of health and medical care had lagged behind overall national social and economic development. As a result, there existed "quite a significant contradiction between the state of China's health care system and the people's ever-increasing demand for health care" – one which affected people's assessment of the efficacy of government.

Of greatest concern to people were the difficulty and high cost of getting access to medical treatment. Gao attributed such deficiencies to a number of factors:

- inadequacy of health care resources;
- irrational distribution of health and medical treatment resources, captured most clearly in the concentration of the best resources in large hospitals;
- the absence of a "sound" and universal system of guaranteed social medical care for society;
- the "dilution of the public-interest nature" of some government-run medical facilities, which preferred to pursue "economic gain;"
- the "chaotic" state of production and distribution of pharmaceuticals and medical equipment;
- the shortage of private investment in health and medical treatment activities.

Gao Qiang called for the expansion of medical and health facilities to accommodate the demands arising from China's rapid social and

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economic development. In meeting such demands, the government must assume principal responsibility – "[d]oing well in health and medical treatment work is an important duty of the government, a responsibility the government cannot relinquish." Elsewhere, a survey made by the CCP Party School described the widening income gap as the most serious social problem facing China. It revealed that in 2004 the ratio of average annual urban disposable income to that rural residents was 1:3.23 (in 1985 it was 1:2.57). In addition, some 90 million rural residents – 10 per cent of the rural population – received an income of no more than 865 *yuan* (US$1040). Also revealed in the survey were widening inter-industry income differentials to the benefit of those working in monopolized industries (e.g., power, water and gas supply units, telecommunications, air and railway transport) (XHNA, 8 July).

On 24 August, the State Council's Information Office issued a 'White Paper' on "Gender Equality and Women's Development in China." It offered a wide range of information and statistics on the changing role and status of women in China, including the following (see XHNA, 24 Aug.):

- State funding for women healthcare and epidemic prevention and treatment rose from 305 million *yuan* (1990) to 1.579 billion *yuan* in 2003. During the same period, corresponding funding for children increased from 1.203 billion to 9.054 billion *yuan*.
- Between 1998 and 2003, some 2.5 million women received small-scale credit loans to facilitate their re-employment.
- At the end of 2004, urban and rural women workers totalled 337 million, accounting for 44.8 per cent of total employed persons; of these 42.27 million belonged to urban work units (38.1 per cent of the total). Women accounted for over 60 per cent of the *rural* labour force.
- Female owners of small and medium-scale enterprises accounted for about 20 per cent of all Chinese entrepreneurs. At the end of 2004, women also constituted 43.6 per cent of all professionals and technicians in state-owned enterprises and institutions (6.3 per cent more than in 1995).
- In 2004, female members of the CCP numbered 12.956 million, or 18.6 per cent of all CCP members; women cadres at or above the provincial (ministry) level accounted for 9.9 per cent of the total. There were also 368 incumbent or vice mayors (commissioners and prefects) who were women. The proportion of women civil servants recruited in 2003 was 27.8 per cent of the total; the corresponding figure in organs of the CCP Central Committee and central government was 37.7 per cent.
- In 2004, the proportion of girl students in junior and senior middle schools reached 47.4 and 45.8 per cent, respectively; in secondary vocational schools it was 51.5 per cent; and in institutions of higher education, 45.7 per cent (10.3 per cent more than in 1995). The shares of female postgraduate and doctoral students were 44.2 per cent and 31.4 per cent – up 13.6 and 15.9 per cent above the levels of 1995.
- In 2004, the proportions of women teachers in junior and senior middle schools were 45.9 and 41.7 per cent; in secondary vocational schools

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and institutions of higher learning, the corresponding figures were 46.5 per cent and 42.5 per cent.

- Between 1995 and 2004, the illiteracy rate among women of 15 years of age and above in urban areas fell from 13.9 to 8.2 per cent; in the countryside, the corresponding reduction was from 27.4 to 16.9 per cent. The 2000 National Census revealed that, on average, women received seven years of education (18 months more than in 1990).
- At the end of 2004, there were 2,997 healthcare institutes for women and children throughout China, with 243,000 beds for women. In 2003 the average life expectancy for women was 74 years. The mortality rate of women in childbirth fell from 61.9 per 100,000 (1995) to 48.3 per 100,000 in 2004.

(d) *Economic Affairs*

GDP reached 6,742.2 billion *yuan* in the first half (H1) of 2005, registering an increase year on year of 9.5 per cent – 0.2 per cent below the corresponding figure for January–June 2004. All three major sectors shared in this growth, with increases of 5, 11.2 and 7.8 per cent for primary, secondary and tertiary activities. Fixed asset investment meanwhile grew by 25.4 per cent (3.2 per cent below that of H1 2004). The summer grain harvest was 106.27 million tons – 5.12 million tons (5.1 per cent) above that of the previous year (XHNA, 20 July).

Average urban per capita disposable income rose by 9.5 per cent to reach 5,374 *yuan* (c.US$650). Per capita cash farm income rose by 12.5 per cent in real terms to 1,586 *yuan*. Inflationary pressures softened, with the consumer price index (CPI) increasing by 2.3 per cent (cf. a rise of 3.6 per cent in H1 2004) – by 1.9 per cent in cities and 2.9 per cent in the rural sector (XHNA, 20 July).

The value of China's foreign trade during January–June was US$645.03 billion (a year-on-year rise of 23.2 per cent). Concealed in this figure was export growth of 32.7 per cent, side by side with import expansion of 14 per cent. China's largest trading partner was the European Union (EU). Within China itself, the three most important trading regions were Guangdong, Jiangsu and Shanghai (*RMRB* website, 12 July).

In July the State Council issued a circular, calling for the creation of a "conservation-oriented society," based on conservation and protection of energy, water, materials and land. The document spoke of major progress having been made towards the more efficient use of indigenous resources, pointing out that between 1990 and 2004, energy consumption per 10,000 *yuan* of GDP had fallen by 45 per cent. In 2004 alone, energy savings had totalled 700 million metric tons of standard coal equivalent. Even so, the inherently unfavourable relationship between population and resources, as well as the "congenital" fragility of the ecology, highlighted the urgency of achieving a more sustainable mode of development. For the time being, progress towards this goal was halting, with economic

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growth still dependent on an inappropriately high input of resources. As a result,

> the contradiction of insufficient energy, fresh water, land, mineral products, and other resources has become more and more prominent. … The phenomena of divorcing from reality, seeking ostentation and things foreign, and going after luxury, extravagance, and waste still exist in large amount. Reality tells us that if we do not change the traditional extensive mode of growth that requires high input and high consumption and produces low efficiency and if we fail to further enhance the awareness of conserving resources in all the society, economic development will certainly be subjected more and more to the restriction of resources, and the production and living environment will further deteriorate.

Hence the need to uphold the "scientific concept of development," according to which equal importance was accorded to development and resource conservation. Underlying the new emphasis on sustainability was the simple principle that "if each of us wastes a little bit of resources, the amount [wasted] will be very huge and that if each of us saves a little bit of resources, it means a huge amount of wealth" (XHNA, 5 July).

New urban jobs were found for 8.53 million people during H1 2005: of these, 5.95 million were new entrants to the labour force, while the remaining 2.58 million were laid-off workers from state-owned enterprises (660,000 of them aged between 40 and 50 years). At the end of June, the number of registered urban jobless people was 8.32 million, and the associated unemployment rate was 4.2 per cent (the same as in 2004). Meanwhile, the government had intensified its efforts to help the jobless by providing employment information, promoting employment training programmes and organizing job fairs for different categories of potential employees (e.g., laid-off workers, university graduates, etc.). In 2005 the total number of new entrants into the urban labour force was expected to reach 11 million, including 3.38 million graduates, 2.5 million secondary school leavers, 2.1 million junior and high school graduates, over 500,000 newly-demobilized military personnel, and 2.5 million former farmers "who bid farewell to farming due to urbanization" (XHNA, 9 Aug.).

It was reported that in 2004 total business revenues of China's 2,764 major firms – defined as firms with business revenue and assets of at least 500 million *yuan* – rose by 26.3 per cent to 12.64 trillion *yuan*, while their profits reached 829.6 billion (up 49.5 per cent). At the end of the year, the value of these firms' combined assets was 19.4721 trillion *yuan* (up 14.4 per cent).

In terms of assets, the top ten Chinese firms were: the State Grid Corp of China, China National Petroleum Corp, CITIC Group, Sinopec Corp, China Telecom, China Mobile, China Netcom, China Southern Power Grid Co, China Unicom and Shanghai Baosteel. Taken together, these firms' assets were valued at 5.2995 trillion *yuan* in 2004 – 497.8 billion *yuan* more than in 2003 (XHNA, 24 Sept.).

An article in *People's Daily* (*RMRB* website, 8 Aug.) reviewed progress in China's agricultural sector during 2005. It noted good summer

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grain and early rice harvests, and the rapid rise in farmers' cash income in the first half of the year. There were other favourable signs too, captured in the accelerated pace of agricultural processing and agri-business activities, farm mechanization and the application of science and technology to farm production. Such progress was attributed to the efforts of the central authorities to focus on the "three rural issues" (*san nong*) and the implementation of policies designed to address outstanding problems facing farmers. Among these, tax reforms were especially significant: 27 provinces had already abolished farm taxes, and the remaining four – Hebei, Shandong, Guangxi, and Yunnan – were planning to reduce the agricultural tax rate by a further 2 percentage points. These fiscal initiatives were expected to benefit over 800 million people in the countryside to the tune of 21 billion *yuan*. In addition, a variety of subsidies was being extended, which would further enhance both farm production and farmers' living standards.

Despite such progress, "deeply layered contradictions," which threatened to constrain both agricultural and rural development, remained unresolved, and some new problems had emerged ("[t]here is no room for blind optimism in the situation, and the efforts to complete the task of increasing grain output and peasants' income this year are extremely difficult"). In these regards, the article highlighted four major threats:

- the difficulty of maintaining the momentum of grain output growth, not least against the background of falling grain prices and yields that were already high;
- the difficulty of maintaining sustained growth in farm incomes (officially, annual targeted income growth had been set at 5 per cent), especially with input prices rising to the extent of pushing up per hectare production costs by 450–600 *yuan*;
- the "grim" challenge of addressing animal disease prevention and control (see also XHNA, 23 Aug. on plans to enact a law on animal husbandry);
- uncertainties associated with the unpredictability of natural disasters.

It was reported that in the second quarter of 2005, the price of grain had fallen for the first time in recent years. Just as a 26.4 per cent rise in the grain price in 2004 had been followed by a 12.5 per cent rise in farm incomes in the first half of 2005, so it was now believed that the recent price would cause a reduction in farm income.

It was reported that the storage of Chinese oil in 16 oil tank facilities in the Zhenhai Strategic Oil Reserve site (Hangzhou, Zhejiang) would begin by the end of 2005. Zhenhai is one of four sites chosen to house China's strategic oil reserves, the others being in Zhoushan (Zhejiang), Dalian (Liaoning) and Qingdao (Shandong). Zhenhai – the biggest of the four sites – will eventually contain 52 tanks with a total storage capacity of 5.2 million cubic metres. Construction of all four bases is expected to be completed by 2008, enabling China to hold reserves equivalent to 30 days of oil imports. (By comparison, oil reserves held by the USA, Japan and Germany are sufficient to meet demand for 158, 161

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and 127 days.) In 2004 Chinese imports of crude oil were 120 million tons and accounted for 40 per cent of annual consumption (XHNA, 1 July).

A senior official in the National Development and Reform Commission argued that improvements in energy efficiency and the development of alternative energy resources (e.g., ethanol gasoline, coal-liquefied oil and methanol gasoline) were needed in order to reduce China's economic vulnerability to rising international oil prices. He pointed out that if only China could replicate Japanese energy efficiency, its energy demand need not rise for the next 60 years. The key to improving efficiency in the use of energy lay in government-sponsored policies in production, consumption and technologies, and the elimination of existing monopoly powers in the oil market. Some improvement was expected after China opened its oil products market to foreign capital, in accordance with the requirements of its WTO accession, at the end of 2006 (XHNA, 7 Aug.).

On 21 July, the Chinese Central Bank announced that from that day China's currency – the RMB *yuan* – would be traded at a rate of 8.11 RMB per US dollar. At the same time, the previous system whereby the *yuan* was pegged to the US dollar would be changed to one in which it was linked to a basket of foreign currencies. The Central Bank described the shift as the beginning of a process designed to put in place a "more resiliently managed floating RMB exchange rate mechanism which is based on market supply and demand and is adjusted in relation to a basket of major foreign currencies" (XHNA, 21 July; see also comment in *RMRB* website, 22 July and XHNA, 22 July).

A Xinhua report stated that income from tourism was expected to reach 1.226 trillion *yuan* (c.US$150 billion) by 2010, accounting for 7 per cent of China's GDP. Implied in these figures was an annual rate of expansion in tourist income of 10 per cent. If the projections were correct, by 2010 China would have become the third-largest tourist destination in the world, receiving 64 million foreign visitors annually. The employment implications of such growth were also significant: by 2010, China's tourist industry would directly employ 9.8 million people, with a further 49 million indirectly associated with it. In January-June 2005, China received 9.62 million overseas tourists – up 29 per cent year-on-year – who generated US$4.221 billion in foreign exchange earnings (XHNA, 20 Aug.).

(e) *Military Affairs*

On 1 September, the State Council's Information Office issued a 'White Paper' on arms control. The document outlined the Chinese government's policies and positions on arms control, disarmament and non-proliferation, and reviewed China's role in related international activities. It reaffirmed China's pursuit of "an independent foreign policy of peace… [along] the road of peaceful development." It insisted that

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"China will never seek hegemony and never be the first to use nuclear weapons" (XHNA, 1 Sept., which contains the full text).

The contents of the White Paper are as follows:

- Foreword
- International Security and Arms Control Situation
- China's Basic Policy and Position
- Participating in and Promoting International Arms Control and Disarmament Process

  Nuclear Disarmament
  Biological and Chemical Weapons
  Prevention of an Arms Race in Outer Space (PAROS)
  Missiles
  Conventional Weapons

- Committed to National and Regional Disarmament

  Large-scale Reduction of the Military Personnel
  Maintaining a Low Level of Defence Spending
  Regional Disarmament and Confidence-Building Measures

- Actively Participating in International Non-proliferation Efforts

  Fulfilling International Obligations of Non-proliferation
  Developing Relations with Multinational Export Control Mechanisms
  Conducting Exchanges and Co-operation on Non-proliferation
  Promoting the Important Role of the UN

- Tightening Non-proliferation Export Control

  Legal System on Non-proliferation Export Control
  Non-proliferation Export Control Organs
  Rigorous Implementation of Laws and Regulations on Non-proliferation Export Control
  Greater Publicity for Laws and Regulations on Export Control and Education for Enterprises

- Annexes

  I: List of Arms Control, Disarmament and Non-proliferation Treaties That China Has Joined
  II: Laws and Regulations of China on Non-proliferation Export Control
  III: Agreements on Disarmament and Confidence-Building Measures Between China and Relevant Countries

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

In the first half of 2005 the value of all exports from Hong Kong increased by 11.6 per cent year on year. Concealed in this figure was a 12.8 per cent rise in re-exports, but a 6.6 per cent decline in domestic exports (XHNA, 26 July).

On 3 August the Chief Executive of HKSAR, Donald Tsang, attended a reception to mark the launch of a new Hong Kong-based airline – Hong

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Kong Express Airways. The new company would provide daily flights aimed at business travellers between Hong Kong and mainland Chinese cities. Initial destinations would be in neighbouring Guangdong province, but by the end of 2006 these would be extended to cities further afield, including Hangzhou, Nanjing, Chongqing and Ningbo.

Xinhua noted that the level of employment in Hong Kong had reached a record level of 3.37 million during May-July. The seasonally adjusted rate of unemployment in the region remained unchanged at 5.7 per cent (XHNA, 18 Aug.).

In September Vice-President Zeng Qinghong travelled to Hong Kong, where he held talks with Donald Tsang. He spoke highly of Tsang's achievements since becoming Chief Executive. Later, he attended the opening ceremony of Hong Kong's Disneyland.

2. Foreign Relations

(a) *Diplomatic Tours*

Li Zhaoxing's visits to Europe (Lithuania, Latvia, Serbia and Montenegro, Macedonia and Cyprus)

On 17 August in Tallinn, the Chinese Foreign Minister (Li Zhaoxing) met the Estonian Prime Minister, Andrus Ansip. The two men exchanged views on bilateral relations, as well as on regional and international issues. Both looked forward to the development of closer bilateral relations, and Ansip expressed his hope that China would use Estonia's position as a transit port within the European Union (EU) as a basis on which to enhance trade and economic co-operation with Estonia (XHNA, 17 Aug.).

The following day, Li held separate talks in Riga with the Lithuanian President, Valdas Adamkus, and Premier Algirdas Brazauskas. The discussions revealed a consensus on bilateral and other issues, and both sides agreed on the desirability to promote the further development of trade and economic co-operation (XHNA, 18 Aug.).

The following day, also in Riga, the Chinese Foreign Minister discussed bilateral and regional issues with the Latvian President (Vaira Vike-Freiberga) and Prime Minister (Aigars Kalvitis). Vike-Freiberga noted that the development of bilateral relations had accelerated since her visit to China in 2004, and she hoped that trade and economic co-operation, as well as cultural exchanges, would be further enhanced. Li expressed gratitude to both Vike-Freiberga and Premier Kalvitis for their efforts in furthering Sino-Latvian relations (XHNA, 20 Aug.).

In Belgrade (20 August), Li Zhaoxing held talks with the Serbia-Montenegro Foreign Minister, Vuk Draskovic, who spoke of his government's wish to strengthen economic relations with China through more effective access to the Chinese market in order to redress a trade balance that was heavily skewed in favour of China. He thanked the Chinese government for its support of the territorial integrity of Serbia-Montenegro and the implementation of UN Security Council Resolution 1244 con-

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cerning the Serbian province of Kosovo. In response to Draskovic's reference to Serbia's debt to China (c.US$570 million), Li was at pains to give an assurance that the issue would be "settled [as] within a family, between a brother and a sister" (XHNA, 20 Aug.).

Li travelled on to Skopje, where he held talks with the Macedonian Prime Minister, Vlado Buckovski. The two men agreed that greater efforts were needed in order to strengthen bilateral economic co-operation. The Chinese Foreign Minister extended his government's "unconditional" support to Macedonia. Li also met the President of Macedonia, Branko Crvenkovski (Skopje, MIA News Agency, 22 Aug.; XHNA, 22 Aug.).

Hu Jintao's state visits to Canada and Mexico

President Hu Jintao left Beijing on 8 September for state visits to Canada and Mexico at the invitation of Canadian Governor-General Adrienne Clarkson and Mexican President Vicente Fox. Xinhua noted that in 2004 the value of trade between China and Canada had reached US$15.5 billion (55 per cent more than in 2003); in the first half of 2005, the corresponding figure was US$9 billion.

In Ottawa, Hu held talks with the Canadian Prime Minister (Paul Martin). Both men spoke positively of the steady expansion of bilateral ties and agreed that relations should be raised to the level of a "strategic partnership." Hu looked forward to wider economic and trade co-operation, as well as enhanced bilateral cultural, educational, scientific and technological, and personnel exchanges. He called, in particular, for closer co-operation in science and technology, environmental protection, telecommunications and finance, and called on both countries to increase two-way trade to US$30 billion by 2010. Following their meeting, Hu and Martin attended a ceremony at which various co-operation documents were signed. These included an agreement on air transport, and two memoranda of understanding on railway co-operation, and on food security sanitation (XHNA, 9 Sept.).

Speaking at a dinner hosted by the China–Canada Trade and Economic Cooperation Forum and attended by more than 800 officials and businessmen from the two countries, Hu called for closer business ties. He noted that two-way trade had increased more than a hundred-fold since the establishment of diplomatic relations, but argued that given the size of each country's economy, there remained high untapped potential for further growth of trade and economic co-operation. He pointed out, for example, that two-way trade constituted just 2 per cent of the respective trade volumes of each country, while Canadian FDI in China was less than 1 per cent of total inflows (XHNA, 11 Sept.).

On 11 September, the Chinese President flew to Mexico City for talks with President Vicente Fox and other Mexican leaders on bilateral relations and international and regional issues. Their discussions the following day resulted in agreement that the two sides would strengthen

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trade and economic co-operation. They signed a number of documents, including agreements on agriculture, social development, mining, and the avoidance of double taxation. Xinhua noted that Mexico was China's second-largest Latin American trading partner after Brazil, with two-way trade valued at over US$7 billion in 2004 (44 per cent higher than in 2003) (XHNA, 12 Sept.; see also XHNA, 15 Sept.).

(From Mexico, Hu Jintao flew to New York to attend the United Nations summit. For coverage of this visit, see below under *International Organizations.*)

(b) *Countries, Territories and Regions*

Africa (Zimbabwe, Kenya, Djibouti; African Union)

On 23 July the President of Zimbabwe (Robert Mugabe) began a one-week state visit to China. During their talks (26 July), Mugabe and Hu Jintao reaffirmed the "traditional friendship" between China and Zimbabwe and pledged their governments to strengthen co-operation and achieve even closer ties. Following their discussions, the two men attended a ceremony to sign an "Agreement between the government of the PRC and the government of the Republic of Zimbabwe on economic and technological co-operation" and other documents (including an economic and technological agreement).

Later, Mugabe met Premier Wen Jiabao, who described Zimbabwe as one of China's "key partner[s]" in Africa and spoke of his government's desire to enhance economic co-operation (especially in mining, energy and telecommunications). Wen referred too to Chinese solidarity with Africa, as revealed in the activities of the China-Africa Co-operation Forum. Mugabe gave an undertaking to adhere to its one-China policy and oppose "Taiwan independence" (27 July).

The President of Kenya, Mwai Kibaki, arrived in Shanghai on 15 August to begin a five-day state visit to China. Two days later in Beijing, he met Hu Jintao, who spoke of the Chinese government's readiness to strengthen political and economic co-operation with Kenya. He spoke positively of the high-level visits that had taken place between China and Kenya and hoped that a "more solid" political foundation could be established in order to facilitate the further development of bilateral relations. Hu noted that the two sides had already reached agreement on co-operation projects in transport, telecommunications, electric power and infrastructural construction. Xinhua noted that the value of two-way trade in 2004 reached a record level of US$366 million, with Chinese exports to Kenya 44.3 per cent above the 2003 level, and imports up 94.3 per cent (17 Aug.).

In separate talks, Wen Jiabao underlined Hu's commitment to further enhance friendly and co-operative ties with Kenya, especially in agriculture, telecommunications and infrastructural construction. Both men said that they would offer mutual support in international affairs (XHNA, 18

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Aug.; for the text of the joint communiqué, issued at the end of Kibaki's visit, see XHNA, 19 Aug.).

On 15 August, Hu Jintao held talks in Beijing with Alpha Oumar Konare (Chairman of the Commission of the African Union [AU] and former President of Mali). Hu spoke of the importance which the Chinese government attached to the AU's role and expressed its wish to forge closer relations with the AU and "strengthen consultation on regional affairs, peace-keeping operations, personnel training, and capacity building, so as to promote peace and development in Africa." He also stressed China's desire to co-operate more closely with African countries (XHNA, 15 Aug.; for an interview with Konare, see XHNA, 16 Aug.).

On 26 September the President of the Republic of the Congo, Denis Sassou-Nguesso, arrived in Beijing. He held discussions with Hu Jintao on bilateral relations and other issues of common concern. The two men both expressed satisfaction with the steady development of ties between China and the Congo, and affirmed their determination to extend political and economic co-operation. The two sides signed an agreement on economic and technological co-operation, as well as bilateral co-operation documents (XHNA, 26 Sept.).

Also in September, the Prime Minister of Djibouti (Dileita Mohamed Dileita) visited China, where he held talks with senior officials, including Premier Wen Jiabao and Wu Bangguo, Chairman of the NPC Standing Committee.

Baltic States (Estonia)

The President of Estonia, Arnold Ruutel, arrived in Shanghai on 24 August for a five-day state visit to China. In Beijing he met Wen Jiabao for talks on bilateral relations and other issues of common interest. Ruutel referred to significant progress having been made in recent years in economic, cultural and educational collaboration. He hoped that there would be further economic co-operation, especially in electronics, telecommunications, biotechnology and transportation (XHNA, 25 Aug.).

Caribbean (Grenada, Jamaica, Guyana)

In July the Prime Minister of Grenada (Keith Mitchell) visited China and held talks with Wen Jiabao. Both sides agreed to intensify efforts to expand trade and investment co-operation. Wen expressed the hope that they would also work more closely together in international affairs in the interests of stronger South-South co-operation and the promotion of common development. Mitchell's remarks echoed those of the Chinese Premier (XHNA, 8 July).

Later the same month the Jamaican Minister of Foreign Affairs and Foreign Trade (Keith Desmond Knight) held talks in Beijing with his Chinese counterpart, Li Zhaoxing. The two men discussed the future development of bilateral relations and other issues of shared concern (XHNA, 18 July).

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On 20 July Samuel Hinds began an eight-day working visit to China–his first as Prime Minister of the Cooperative Republic of Guyana. Wen Jiabao spoke of the Chinese government's satisfaction with the development of bilateral relations and said that it would encourage more Chinese companies to invest in Guyana.

Commonwealth of Independent States (Russia, Kazakhstan; Shanghai Cooperation Organization)

On 1 July, talks between President Vladimir Putin and Hu Jintao opened in Moscow. Putin emphasized the "strategic nature" of the bilateral relationship and stated that the two countries were working towards the establishment of a new mechanism for co-operation (especially in economic affairs). They also exchanged views on important regional and international issues, and expressed their determination to strengthen their co-operation in international affairs in order to enhance global peace, stability and prosperity.

Xinhua reported that Hu Jintao had advocated stronger political "strategic co-ordination" between Beijing and Moscow, as well as an expansion of *military* exchanges and co-operation. He spoke of China's intention to take an active part in the planned first China-Russia joint military exercise.

Following their discussions, the two sides signed various agreements, including two on financial and energy resources co-operation. The two presidents also signed a joint statement on a new world order for the 21st century. The document set out their common stand on major international issues, including UN reforms, globalization, North–South co-operation, and world economy and trade (full text in XHNA, 1 July).

The Chinese President later told reporters that the bilateral strategic partnership between China and Russia had progressed well, facilitating an additional agreement on the eastern part of the two countries' common border and thereby resolving the border issue – and all outstanding political questions between them. He noted that he and Putin had agreed that Taiwan and Chechnya were the political issues that impinged most critically on their respective interests. Meanwhile, he expected bilateral economic co-operation (including investment) to deepen, especially in energy, science and technology.

On 2 July Hu held talks with the Russian Prime Minister, Mikhail Fradkov, focusing especially on the potential for future bilateral co-operation. He called for greater efforts to be made towards rationalizing and optimizing the structure of bilateral trade. He reiterated the importance of promoting stronger energy co-operation, such as the exploration of oil and natural gas. Fradkov spoke of the importance of Hu's current visit and reaffirmed the Russian government's determination to fully implement the agreements reached by Putin and Hu (XHNA, 2 July).

Hu Jintao's visit to Moscow was the first leg of a tour, which also took him to Kazakhstan in order to attend a summit meeting of the Shanghai Cooperation Organization, and to the UK to participate, alongside four

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other developing countries, in a meeting of the Group of Eight (G8) (see below).

Meanwhile, it was reported that in 2004 the value of Russian contractual investment in China grew by over 25 per cent to reach US$1.107 billion (ITAR-TASS, 1 July).

Following talks in Astana between Hu Jintao and President Nursultan Nazarbayev, China and Kazakhstan announced their decision to forge a bilateral "strategic partnership." A joint statement noted that

> In view of profound changes in regional and international situations, to promote good-neighbourliness, friendship and mutually beneficial co-operation, the two countries [have decided] to establish and develop strategic partnership (XHNA, 4 July).

The decision was included in a joint statement, which also spoke of the two sides' intention to

> deepen political mutual trust, enhance security co-operation to promote regional security and prosperity, seek common development and prosperity through closer economic co-operation, [and] encourage more personnel exchanges and contacts between the two peoples.

The Chinese President also met Premier Daniyal Akhmetov in Astana, and spoke with satisfaction of the increasingly close relationship between China and Kazakhstan. He stressed the central role of economic co-operation in promoting bilateral ties and noted that good progress was being made in constructing the China–Kazakhstan oil pipeline. He looked forward to enhanced co-operation in energy, and new and high technology activities, and hoped that two-way trade would reach US$10 billion by 2010 (XHNA, 4 July).

On 5 July, leaders of the Shanghai Cooperation Organization (SCO) – China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan – held their fifth summit meeting in Astan, where they exchanged views on major international issues and discussed ways of strengthening economic and security co-operation. They also agreed that SCO observer status be granted to India, Iran and Pakistan in the interests of "[expanding] the capacity of the organization to develop multilateral and mutually beneficial co-operation in various fields." They signed agreements on combating the three "evil forces" of terrorism, separatism and extremism and providing mutual emergency disaster relief assistance (XHNA, 5 July).

Hu Jintao took advantage of the SCO meeting to hold separate meetings with the Presidents of Tajikistan (Emomali [Sharipovich] Rahmonov), Uzbek President Islom Karimov, acting Kyrgyz President Kurmanbek [Saliyevich] Bakiyev, and Vice-President Muhammad Reza Aref of Iran.

On 6 July Hu flew from Astana to Prestwick (Scotland), prior to his participation at Gleneagles in an informal meeting between G8 leaders and leaders of five developing countries. He highlighted development as the most important task in developing countries and called for intensified

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efforts to strengthen South–South co-operation and North–South dialogue. He drew attention to problems associated with the recent rise of trade protectionism, and called for the establishment of an "open, fair, rational and transparent international multilateral trade regime." Hu also made a three-point proposal on ways to combat the adverse effects of climate change (for the text of Hu's speech at the G8 meeting, see XHNA, 7 July).

Eastern Europe (Hungary)

Following his arrival in China, Hungary's Prime Minister (Gyurcsany Ferenc) met Vice-President Zeng Qinghong. Gyurcsany noted that China was now Hungary's largest trading partner in Asia and the second-biggest in the world after the EU. He hoped that co-operation between the two countries would be further strengthened (XHNA, 8 Sept.).

Japan

Xinhua reported that on 15 July, a Chinese Foreign Ministry official had strongly protested against the Japanese government's approval of a Japanese oil and gas company's (Teikoku Oil Co.) request to carry out drilling in the East China Sea. He described the decision as a "severe provocation and violation" both against China's sovereignty and interests, and the rules contained in the UN Convention on the Law of the Sea (XHNA, 15 July; see also Kyodo, 15 July).

Middle East (Saudi Arabia)

Vice-Premier Hui Liangyu travelled attended the funeral of King Fahd Bin Abd-al-Aziz in Riyadh on 2 August. On behalf of Hu Jintao and the Chinese government, he expressed condolences and sympathy to the former King's successor, King Abdallah Bin Abd-al-Aziz, and other members of the Saudi Royal Family and government. Hui referred to King Fahd's major contribution to Saudi economic and social development, and to promoting unity and co-operation within the Arab world. He also noted that Sino-Saudi relations had developed steadily, thanks to the late King's efforts (XHNA, 3 Aug.).

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

Information released by the Korea International Trade Association (KITA) in Seoul indicated that North Korean trade with China had risen by 43.3 per cent to reach US$740 million during the first half of 2005. North Korea's main exports to China – overall, worth $230 million (up 33.8 per cent) – were marine products, garments and mineral resources (e.g., coal and iron ore). Its principal imports – in aggregate, valued at $510 (48 per cent more than in the corresponding period of 2004) – were

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mineral resources, meat, grains, machinery and plastic products (Yonhap, 8 Sept.).

South Asia (Bangladesh, Sri Lanka, India)

On 17 August the Bangladeshi Prime Minister, Khaleda Zia, arrived in Beijing, where she held talks with senior government officials, including Premier Wen Jiabao. Wen put forward a proposal to celebrate the 30th anniversary of the establishment of diplomatic relations between China and Bangladesh by making a major effort to push forward bilateral relations in all spheres of activity – economic, political and cultural – to a new level of development. He described China and Bangladesh as two developing countries facing the same development challenges and sharing a common interest in international affairs. Zia's remarks echoed those of Wen, and she also expressed her gratitude to China for the long-term assistance it had given Bangladesh (XHNA, 18 Aug.). Because of political disturbances at home, Zia was forced to cut short her vist to China and return to Bangladesh.

Towards the end of the same month, the President of Sri Lanka (Chandrika Kumaratunga) arrived in Beijing on a state visit. She met senior Chinese government officials, including the Ministers of Finance and Defence. Wen Jiabao told Mrs. Kumaratunga that Chinese enterprises would be actively encouraged to participate in Sri Lanka's economic construction. Meanwhile, the government would extend co-operation in agriculture, infrastructure, and energy resources, as well as looking for ways to address the imbalance in bilateral trade (XHNA, 31 Aug.; for text of the two sides' joint communiqué, see XHNA, 2 Sept.).

An Indian source reported that during a meeting in New York between Hu Jintao and Prime Minister Manmohan Singh, it was agreed, in principle, that bilateral trade should be doubled within the next two years. In the first half of 2005 alone, Sino-Indian trade rose by a record 30 per cent (New Delhi, Doordarshan television, 15 Sept.).

Southeast Asia (Vietnam, Indonesia, Burma, Cambodia, Thailand; Association of South-East Asian Nations [ASEAN])

The Vietnamese President travelled to China in July. Hu Jintao noted that "issues left over by history" (e.g., the demarcation of the land border and Beibu Bay) had been resolved and that both sides could look forward to the further steady development of bilateral relations. He put forward a four-point proposal on strengthening ties, involving: promotion of closer high-level contacts; the further development of trade and economic co-operation; final settlement of the border issue (including speeding up the establishment of boundary markers); and extension of non-governmental exchanges. Luong spoke of his government's desire to promote a "strategic partnership" with China, and hoped, in particular, for closer co-operation in developing energy resources, communications and

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other spheres of economic activity (XHNA, 18 July). Xinhua also revealed that during Tran Duc Luong's visit, China and Vietnam had agreed to promote the joint exploitation on the South China Sea (XHNA, 19 July; for the full text of the Sino-Vietnamese joint communiqué, see XHNA, 21 July).

On 27 July President Bambang Yudhoyono of Indonesia arrived in Beijing with a delegation of around a hundred. The following day, Susilo met Wen Jiabao, who spoke of the "sound development momentum" of bilateral ties and the expansion of co-operation in politics, economy and health. He hoped that further co-operation would take place in infrastructural construction, energy and the exploration of natural resources. Susilo's remarks echoed those of the Chinese Premier (XNA, 28 July).

During *his* talks with Susilo, Hu Jintao noted the considerable progress that had been achieved in developing Sino-Indonesian relations since the establishment of diplomatic relations 55 years earlier. He urged both sides to intensify their efforts towards fully implementing the two countries' "strategic partnership," in particular calling for closer co-operation in key areas, such as infrastructural construction, exploration of energy and natural resources, agriculture, forestry and fisheries, and telecommunications. He also looked forward to establishing effective mechanisms for promoting investment, improving co-operation in disaster prevention and relief, and consulting on defence issues

Following their discussions, Susilo and Hu witnessed the signing of a number of agreements and memorandums of understanding, intended to enhance co-operation in defence, economic and cultural spheres (XHNA, 28 July; on the Sino-Indonesian strategic partnership, see *RMRB* Overseas Edition, 30 July).

The same day as President Susilo arrived in Beijing, Li Zhaoxing travelled to Yangon [Rangoon], where he held separate talks with the Chairman of the State Peace and Development Council (SPDC), Senior-General Than Shwe, and Prime Minister General Soe Win. Xinhua noted that in 2004 the value of two-way trade (including border trade) rose by 6.3 per cent to US$1.145 billion. It was expected that by the end of 2005 the corresponding figure would have reached $1.5 billion. (Li's 24-hour visit to Yangon followed his participation in meetings with ASEAN foreign ministers in the Laotian capital of Vientiane – see XHNA, 27 July for Li's speech.)

On 10 August, the King of Cambodia (Norodom Sihamoni) began a five-day state visit to China at the invitation of President Hu Jintao.

It was reported that China-ASEAN trade reached US$59.76 billion in the first half of 2005 and registered a year-on-year increase of 25 per cent. For the whole of 2004, the corresponding figure was US$105.88 billion. As a result of such rapid growth, ASEAN had become China's fourth-largest trading partner. It was also reported that as of 20 July, China had begin implementing the conventional tariffs of the China-ASEAN free-trade areas on goods from Brunei, Indonesia, Malaysia, Burma, Singapore and Thailand (XHNA, 21 July).

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In Beijing on 25 August, Wen Jiabao met the Thai Foreign Minister, Kantathi Suphamongkhon. They exchanged views on bilateral relations and Sino-ASEAN co-operation.

Taiwan [Republic of China]

Statistics issued by the Ministry of Commerce revealed that cross-Straits trade reached US$41.08 billion during January-June 2005 – a rise of 12.5 per cent above the corresponding period of 2004. The value of exports from China to Taiwan was US$7.75 per cent (up 28.8 per cent), while that of the reverse flow was $33.33 billion (up 9.3 per cent). Thus, Taiwan's bilateral trade surplus was $25.58 billion. Meanwhile, the value of contractual [realised] Taiwanese investment in mainland China rose [fell] by 3.76 per cent [−22.31 per cent]. As of the end of June, cumulative utilised FDI from Taiwan had reached US$40.78 billion (*RMRB* website, 28 July).

United States of America

On 9 July, the US Secretary of State, Condoleezza Rice, arrived in Beijing on her second visit to China since taking office in January 2005. The following day she held talks with Premier Wen Jiabao, who spoke of the positive momentum of development of China-US relations. He spoke with satisfaction of the rapid growth of bilateral trade and economic ties, which, he said, was to the major benefit of both countries. He hoped that both countries would adhere to the norms and rules of the World Trade Organization (WTO) and use "equal dialogue and friendly consultation" as the means of resolving trade-related problems. Rice acknowledged the emergence of problems affecting trade and economic relations, but was at pains to make clear the US administration's view that China's economic development was a positive force in the global economy ("the global economy is [not] a zero-sum game") (XHNA, 10 July).

Rice also met the Chinese Foreign Minister, Li Zhaoxing. Li referred to the "excellent" meeting between Presidents Bush and Hu at the recent G8 meeting at Gleneagles (Scotland), on the basis of which he hoped for further progress in advancing the "constructive and co-operative relationship" between China and the US. He reminded Rice that a prudent attitude was essential in addressing the "complicated and sensitive" issue of Taiwan. Rice assured Li that Washington remained committed to the one-China policy and would abide by the terms of the three US-Chinese joint communiqués (XHNA, 10 July).

On 11 July senior Chinese and US officials, including, Vice-Premier Wu Yi, US Secretary of Commerce Carlos Gutierrez and US Trade Representative Robert Portman, exchanged views on pressing trade-related issues, including the on-going textile dispute and intellectual property rights protection. The meeting of the US-China Joint Commission on Commerce and Trade (JCCT) took place against the background of surging bilateral trade valued at US$169.6 billion in 2004. Wen

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called on both sides to handle trade and economic-related problems through "fair dialogue and consultation" and with a view to the long term, pointing out that the further smooth growth of economic ties would be to the benefit of the entire global community. Gutierrez said that the two sides had conducted a "very honest and frank" dialogue during one-day JCCT meeting (XHNA, 11 July).

On 2 August China National Offshore Oil Company Ltd. (CNOOC) announced that it had withdrawn its offer to purchase Unocal, so ending its bid for the Californian oil company. A CNOOC source mainly attributed the decision to the "unprecedented political opposition" that the take-over bid had generated in the US, culminating in a vote in the House of Representatives demanding that President Bush review the CNOOC bid in the light of alleged security implications (XHNA, 2 Aug.; see also *RMRB*, 11 Aug.).

The third round of textile trade negotiations between China and the USA took place in San Francisco on 16–17 August, but ended without agreement. Reports indicated, however, that differences between the two sides had narrowed, and they were expected to meet again shortly in China (Hong Kong, ZTS, 18 Aug.; also see XHNA, 18 Aug.). In the event, the next round of negotiations was reported to have collapsed, although both sides agreed to hold a further round of talks (XHNA, 1 Sept.; see also *ZTS*, 1 Sept.).

A Xinhua commentary argued that the main reason for friction was the failure by the US to understand the trend relationship between industrial development and economic globalization, highlighted in the differing degrees of development and different levels of incomes among countries that encouraged "transnational and transregional industrial transfers." Hence, the phenomenon of a Chinese textile enterprise in which Chinese workers operated German machines and used American cotton in order to produce high-quality textile products. The implementation of trade protectionism by the US to address the core problems – viz., its own failure to readjust its domestic industrial structure – was short-sighted and offered no solution. Indeed, such protectionist policies were "an abuse of WTO rules and … [contrary to] the rules of fair trade" (XHNA, 1 Sept.).

During his visit to the UN in New York, Hu Jintao met President Bush (15 Sept.). They agreed to maintain their efforts to strengthen mutual trust and co-operation. President Bush thanked Hu for the relief assistance sent by China to the US in the wake of the damage caused by Hurricane Katrina.

Western Europe (Great Britain, Spain, Finland; European Union [EU])

A Chinese Foreign Ministry spokesman expressed his government's shock at the terrorist explosions that occurred in London on 7 July. On behalf of the government, he strongly condemned the attacks, stating that China opposed terrorism in any form ("[a]nyone who launches terrorist

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attacks and causes casualties of civilians should be resolutely condemned, regardless of his or her purpose"). He added that China would seek to strengthen co-operation with the international community in the "arduous" fight against terrorism (XHNA, 7 July).

On 21 July the Spanish Prime Minister, Jose Luis Rodriguez Zapatero, arrived in Beijing for talks with senior Chinese officials. Following their meeting, Zapatero and Wen witnessed the signing of a number of agreements. The two sides were reported to have reached consensus on promoting the further development of bilateral relations, as well as on regional and international issues. Zapatero also met Hu Jintao, who said that Sino-Spanish relations were better than they had ever been.

In September, the Prime Minister of Finland (Matti Vanhanen) made an unofficial visit to China, during which he travelled to Shanghai and Guangdong. It was announced that Vanhanen would make an official visit to China in 2006.

On 14 July Jose Manuel Barroso arrived in Beijing at the beginning of a five-day official visit to China – his first as President of the EU Commission. In talks with Barroso, Wen Jiabao called on both sides to seek to strengthen their "comprehensive strategic partnership" in order to enhance economic and political co-operation, and thereby serve not only the interests of Asia and Europe, but those of global peace, stability and development. Barroso stressed the importance which the EU attached to its relations with China and acknowledged that China's rapid development offered major opportunities for closer co-operation. He reaffirmed the EU's determination to treat relations with China "from a strategic point of view" and looked forward, in particular, to enhanced co-operation in energy, climate change, science and technology, aviation and space study (XHNA, 14 July).

During his visit to attend the China–EU Summit, the British Prime Minister Tony Blair held talks with his Chinese counterpart, Wen Jiabao. Wen spoke of the positive momentum of the development of relations between China and the UK in recent years. The two sides had forged closer political ties (for example, working more closely together on issues, such as reform of the UN, counter-terrorism and sustainable development). They had also put in place mechanisms which enabled the two countries' leaders to meet on a regular basis. Blair endorsed Wen's comments and looked forward to even closer co-operation with China on a wide range of bilateral and multilateral issues. Following their talks, the two men attended a signing ceremony for four agreements on co-operation in culture, museums, banking and civil aviation (XHNA, 6 Sept.).

The following day Barroso exchanged views with Hu Jintao, Li Zhaoxing and other Chinese officials. Hu spoke of the steady development of China-EU ties and referred to the "remarkable results" – in terms of trade, economic co-operation and political consensus on regional and international issues – of 30 years of diplomatic relations between China

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and the European Union. He stated that the Chinese government stood ready to raise the "all-round China-EU strategic partnership" to a new level of development, involving even closer co-ordination and co-operation in international affairs. Barroso agreed that the two sides shared similar views on many international issues (XHNA, 15 July).

Following his talks with Chinese leaders, the EU Commission President told reporters that a number of technical and other issues would have to be resolved before the EU would grant full market economy status to China. He was confident that outstanding difficulties would be solved, although he refused to give a time scale for their resolution.

Jose Manuel Barroso arrived in Beijing again on 4 September – this time to attend the Eighth China–European Union Summit, in which the British Prime Minister (Tony Blair) and the Secretary-General of the EU Council (Javier Solana) also participated. A Xinhua commentary reviewed the previous 30 years of development between China and the EU, drawing attention to the steady expansion of political and, especially, economic co-operation (in 2004 the value of bilateral trade was US$177.28 billion – 33.6 per cent above the level of 2003). XHNA suggested that a variety of historical, cultural and other factors favoured the further expansion of co-operative relations between the two sides. These included the absence of any mutual geopolitical or strategic threat, and a shared view on economic and political security issues (e.g. terrorism, the environment, drug trafficking and other criminal activities, etc.); and mutual access to major markets and a high degree of associated economic complementarity (XHNA 4 Sept.).

In a speech to the summit (5 September), Wen Jiabao made a five-point proposal calling for closer co-operation between China and the EU, especially in service trades, investment, and science and technology. The Chinese Premier exchanged views with Blair and EU officials on bilateral relations, as well as international issues of shared concern. The two sides were reported to have reached a broad consensus, and to have agreed that the further development of the "all-round strategic partnership" between China and the EU would not only generate mutual benefits, but would also serve the interests of global peace, stability and development. Following their talks, the two sides signed a number of agreements relating to transport, environmental protection, space development and construction of the Beijing capital airport (XHNA, 5 Sept.).

Following the summit meeting, the two sides issued a joint statement (full text in XHNA, 5 Sept.). It spoke of the desire of both parties to develop their "strategic partnership" to a higher level, and listed the various documents which they had endorsed during the meeting (see also *RMRB*, 6 Sept.).

Meanwhile, also on 5 September, representatives of China and the EU reached agreement on resolving the issue of Chinese textile products, which EU customs officers at European ports had refused to release. The Chinese Minister of Commerce, Bo Xilai, described the agreement as a reflection of a "co-operation and win-win" attitude displayed by both sides (XHNA and *ZXS*, both 5 Sept.).

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(b) *International Organizations (United Nations (UN))*

Hu Jintao arrived in New York on 13 September to participate, alongside some 180 heads of state and government, in the UN summit on 14–16 September. The event was described by Xinhua as "the largest gathering of world leaders in history" … [and one which would] have a vital influence on the future of the United Nations and international relations" (XHNA, 13 Sept.).

On the day after his arrival, Hu addressed the UN Security Council summit (XHNA, 14 Sept.). He pointed out that the trend towards global peace and stability was threatened by border disputes, territorial conflicts, regional dissension and other "traditional and non-traditional" security concerns (e.g., poverty, terrorism, transnational crimes and the outbreak of major communicable diseases). Such phenomena highlighted the continuing need for the Security Council to meet its responsibilities under the UN Charter. To help fulfil this goal, Hu made the following suggestions:

- to adhere to multilateralism in order to uphold the authority of the Security Council ("[o]nly by strengthening multilateral co-operation and, in particular, strengthening the role of the United Nations and upholding the Council's authority, can we effectively cope with the daily increasing global threats and challenges and genuinely achieve universal security");
- to enhance the Security Council's efficiency to enable it to respond more effectively to threats (especially terrorist outbreaks);
- to improve the decision-making authority of the Security Council in accordance with democratic principles which would enable developing countries – the majority of UN members – to play a fuller role ("[d]emocratization of international relations is the trend of the present era and should be embodied in the Security Council … China stands for an enlarged Security Council based on a broad consensus, and increased representation of developing countries, African countries in particular, thus giving more countries, especially the small and medium-sized countries, greater access to its decision-making");
- to enable the Security Council to focus more carefully and fully on African concerns.

Also on 14 September, the Chinese President Hu Jintao addressed the High-level Meeting on Financing for Development, organised as part of the UN 60th Anniversary Summit (text in XHNA, 14 Sept.; see also comment in *RMRB*, 16 Sept.). The core message of his speech was that the forces of economic globalization made the pursuit of universal development an even more pressing concern. Thus,

> As economic globalization continues to deepen, the interests of different nations become intertwined and their fates become interdependent. It is in the fundamental interest of the people of all nations to promote universal development and achieve common prosperity. The most pressing task before us today is to strengthen international co-operation on development and narrow the North-South gap in order to ensure the realization of the Millennium Development Goals.

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Hu acknowledged that since the 1990s some progress had been made towards fulfilling the Millennium Development Goals set in 2000 at the UN Millennium Summit. But he was at greater pains to point out that the development challenge facing the international community remained a heavy one. Around 1 billion people continued to live in absolute poverty, while "worsening trade barriers, heavy debt burdens and spread of AIDS and other major infectious diseases are seriously obstructing the development of the vast numbers of developing countries." The pursuit of global development was further threatened by terrorism, regional conflicts, energy security and other "traditional and non-traditional" security issues.

In the face of such problems and concerns, Hu Jintao put forward four proposals, intended to facilitate meeting the Millennium Development Goals, enhancing international co-operation on development, and promoting universal development in the interests of the attainment of common prosperity. They were:

- to make the global economic system and rules "more equitable and reasonable" by improving the international financial system and creating a financial environment that more effectively promotes development in developing countries;
- to respect the freedom of countries to choose the mode and pattern of development they consider best suited to their conditions;
- to establish an equitable, rational and effective framework in which to assess progress towards the achievement of the Millennium Development Goals (one in which poverty elimination is seen as the core task and appropriate efforts towards this goal – including higher development funding by MDCs, and debt reduction and remission – are undertaken);
- to strengthen the UN's role in promoting international co-operation on development.

Hu announced that in order to help facilitate progress towards poverty elimination, China would implement the following measures:

- to accord zero tariff treatment to certain products, including most of the goods exported to China, from the 39 Least Developed Countries with which China had diplomatic relations;
- to further expand China's aid programme to the Heavily Indebted Poor Countries [HIPCs] and the Least Developed Countries (including writing off or otherwise remitting all outstanding interest-free and low-interest governmental loans owed by HIPCs with which China had diplomatic relations);
- within the next three years, to provide US$10 billion in concessional loans and preferential export buyer's credit to developing countries;
- within the same three-year period, to increase its assistance to developing countries, especially in Africa, through the provision of anti-malaria drugs and other medicines, and help in setting up and improving medical facilities;

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- also within the three-year period, to train 30,000 personnel in various in order to assist developing countries accelerate their human resources development.

(For the text of Hu Jintao's speech to the UN on 15 September, see XHNA, 15 Sept.)

During his visit to New York, Hu Jintao held separate meetings with the Presidents of Gabon (El Hadj Omar Bongo Ondimba), Macedonia (Branko Crvenkovski), Mozambique (Armando Emilio Guebuza), Pakistan (Pervez Musharraf) Russia (Vladimir Putin), the US (see above under *USA*); the Prime Minister of India (Manmohan Singh [see above under *South Asia*]). Meanwhile, also in New York, Li Zhaoxing held separate talks with the Lebanese Prime Minister (Fu'ad Abd-al-Basit al-Sanyurah), the US Secretary of State Condoleezza Rice, the Foreign Ministers of Algeria, Bolivia, Democratic Republic of the Congo, Egypt, Georgia, Guinea-Bissau, Iraq, Russia, Mexico, Panama, Spain, Slovenia and South Korea, and the Secretary-General of the Arab League.

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