Quarterly Chronicle and Documentation

(April–June 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, 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 15th and 16th Sessions of the Tenth NPCSC*

The 15th Session of the NPCSC opened in Beijing on 24 April. At the opening session, delegates discussed a State Council interpretation of

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Clause 2, Article 53 of the 'Basic Law of the Hong Kong Special Administrative Region [HKSAR] of the PRC'. The Vice-Chairman of the NPCSC's Legislative Affairs Commission (Li Fei) explained the background to the document. Wu Bangguo (NPCSC Chairman) argued that the legal interpretation would facilitate the correct implementation of the HKSAR Basic Law and the election of a new HKSAR Chief Executive. Thus,

> The NPC Standing Committee has given the legal interpretation of the relevant provisions in the Hong Kong Basic Law and, thus, clarified the tenure question of the new chief executive selected in the wake of the vacancy of the chief executive's office. This will assist in the correct implementation of the Hong Kong Basic Law and the smooth development of the work of electing the new chief executive as scheduled. The interpretation is absolutely necessary and timely. … The general opinion is that the draft interpretation conforms to the original intention of formulating the Hong Kong Basic Law, and such an interpretation given by the NPC Standing Committee will be of great importance to ensuring the correct implementation of the Hong Kong Basic Law. … [The] interpretation … has the same legal effect as the Hong Kong Basic Law. All parties concerned must obey and implement it (XHNA, 27 Apr.).

Delegates also received a draft amendment of China's Securities Law, designed to facilitate the future development of China's securities market, including the provision of a more effective institutional framework in which to promote economic and financial structural reforms. The amendment, which had been two years in the drafting, sought to help promote the stable development of the capital market. Zhou Zhengqing (Vice-Chairman of the NPC Financial and Economic Committee) stressed the need for the draft amendment against the background of major changes in the securities market, and the emergence of new conditions affecting the issuance and trading of securities, and securities control.

Standing Committee members approved China's first-ever Civil Servant Law, intended to improve its civil service system. The new legislation sought to define officials' rights and responsibilities by setting out the duties, posts and ranks of public servants, and providing for their recruitment, assessment, salaries, training and punishments. It stressed the need for officials to take the blame and resign their posts, in the event of their mistakes or negligence having caused major losses or serious "social repercussions." It also insisted that recruitment should be based on "just, open and fair" examinations. It was revealed that as of end-2003, China had about 6.37 million civil servants, as well as over 30 million personnel working in public-funded organizations (XHNA, 27 Apr.). The 15th NPCSC later ratified the Civil Servant Law (for comment, see *RMRB* website, 11 May).

The NPCSC approved a decision to remove Vice-Premier Wu Yi from her concurrent post of Health Minister, and to replace her by the current Executive Vice-Health Minister (Gao Qiang).

On the agenda of the 16th meeting of the Tenth NPCSC was legislation relating to property rights, notarial services, penalties for offences against public order, and the protection of women's rights.

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Xinhua described the draft "real rights law" as a "fundamental law that regulates the property relationship between civil entities created by the possession and utilization of properties, and that safeguards the state's fundamental economic system." Wu Kangsheng (Vice-Chairman of the NPC Law Committee) highlighted three main aspects that had exercised the attention of NPCSC delegates, as follows

> … pinpointing the focal points to resolve the practical issues requiring prompt regulation and standardization in the real rights law; making provisions for several major issues [such as] … whether it is necessary to integrate the organs responsible for real estate registration and whether the right to use rural houses and land can be transferred; and making the contents of the draft law's previous provisions as brief, concise, and easy to understand as possible.

Recent changes in China's economic and social environment had made it important to amend the original 1992 'Law on Protecting Women's Rights and Interests.' In particular, draft legislation sought to give added protection to women's "lawful rights and interests," to improve gender equality, and to give help women realize their full potential in advancing socialist modernization (XHNA, 26 June).

NPCSC members also received the Finance Minister's (Jin Renqing) report on the 2004 central final accounts, and the audit work report on the 2004 central budget implementation and other fiscal revenues and expenditures. Jin also reviewed progress in China's fiscal policy implementation during January–May 2005 (for details, see XHNA, 28 June).

(b) *Party, Political and Ideological Affairs*

An article in *Qiushi* (1 April) highlighted the importance of the CCPCC's 'Outline for Creating, Completing and Implementing a System – Which Gives Equal Attention to Education, Rules, and Supervision – To Punish and Prevent Corruption' (hereafter, 'Outline') in guiding anti-corruption work and strengthening "Party conduct construction and ethical governance construction." It pointed out that throughout its history, the CCP had emphasized the importance of combating corruption and advocated "ethical governance." In recent years, major efforts had been directed to this task and considerable progress had been made. Even so, as a result of poor education, inadequate administration and ineffective supervision, the problem of corruption persisted.

In the face of such problems, the 'Outline' put forward new requirements in order to strengthen Party conduct and governance. It reaffirmed the need to crack down on corruption, pointing out that the failure to do so would not only weaken the Party's ability to govern, but might also threaten its ruling position and precipitate its self-destruction.

The 'Outline' marked the beginning of a new phase in combating corruption and improving ethical governance. To these ends, it advocated the integration of anti-corruption work with economic construction in order to inculcate a spirit of "regarding ethical governance as a glory

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and … embezzlement as a shame." It also called for equal attention to be paid to "education, rules and supervision" ("education is the basis, rules are the guarantee, and supervision is the key"). No less important was the need to resolve minor as well as major problems in the attempt to rectify corruption, and to "correctly handle the relationship between punishment and prevention."

On 15 April, Hu Jintao addressed the 21st collective study session of the Political Bureau of the CCP Central Committee (CCPCC) (XHNA, 16 Apr.). His main message was that stable social and economic development in China could only be secured by prioritizing a modern "scientific" concept of development. He argued that the main "social contradiction" in China was between on-going improvements in the Chinese people's material and cultural needs, and the backwardness of social production. Against this background, the Party's primary goal was to focus on domestic construction, and promote "both fast and good" [*you kuai you hao*] economic and social development, thereby laying a solid foundation for building a prosperous society. Upholding and implementing the "scientific development concept" was central to fulfilling this goal. Thus,

> We must persist in the people-centred approach, aim at achieving the all-round development of man, continually satisfy the masses' ever-increasing material and cultural requirements, and ensure that the fruits of development benefit the whole body of the people. We must persist in following a new-style industrialization path, truly shift the focal point of economic work to restructuring, deepening the reforms, and transforming the growth mode, and truly improve the quality and returns of economic growth. We must devote still greater efforts to resolving problems of the 'three rural issues,' give full play to the radiation and leader role of the towns towards the rural areas, give play to the support and payback role of industry towards agriculture, and promote benign interaction and common development of the urban and rural areas. We must regard enhancing capability in self-determined scientific and technological innovation as an important key link in promoting restructuring and transforming the growth mode, and speed up the conversion of the fruits of science and technology into practical production forces. We must comprehensively implement the overall strategy for regional development, gradually reduce the development disparities between the regions, and achieve mutual complementing of advantages and common development. We must lose no time in pushing reform and opening up, give full play to the market's basic role in resource allocation, strengthen and improve macro regulation and control, and make efforts to resolve in structure the deep-seated problems constraining both fast and good economic and social development. We must continually enhance the level of opening up to the world, and make full use of both internal and international markets and resources. We must give impetus to coordinated economic and social development, speed up the development of social undertakings, put the social management structure and methods on a sound basis and carry out innovation in this respect, and promote the building of a harmonious society. We must persist in carrying out a sustainable development strategy, vigorously develop circular economy, and build a resource-conserving and environment-friendly society.

A Xinhua commentary underlined Hu's message, and called for strict adherence to the values and principles outlined by the Party General-Secretary – namely, to pursue economic construction in such a way as to

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promote co-ordinated economic, social and political development. Inherent in the demands for a more sustainable development strategy was the recognition that China faced a number of profound economic and political challenges – the latter, including corruption, poor work style and lax ideological levels. The successful resolution of such problems was contingent on leading cadres using the "important thinking of the 'three represents' " in order properly to fulfil their responsibilities (XHNA, 17 Apr.).

Statistics published by the CCPCC's Organization Department revealed that there were 69.6 million CCP members at the end of 2004 – a net increase of 1.37 million over 2003. Some 12.96 million female members accounted for 18.6 per cent of the total, while ethnic minority members – 4.41 million – constituted 6.3 per cent. CCP members with senior high school education or above accounted for 56.6 per cent of total members; the corresponding figure for those with a college education or better was 27.3 per cent. In 2004, 2.42 million new members were admitted to the Party out of 17.38 million applications to join (XHNA, 23 May).

On 10 May, the death was announced – 20 days after the event – of Zhang Chunqiao, a "prime culprit of the 'Gang of Four' enjoying extreme popularity for a time in China's political arena." Alongside Jiang Qing, Zhang was described as one of the two "toughest" members of the 'Gang of Four' (during their trial, the two were referred to as "stones in the latrine pit, hard and stinking"). Two years after his trial, Zhang's death sentence was reduced to life imprisonment with deprivation of political rights; and in 1997 the sentence was further reduced to 18 years' imprisonment with the deprivation of political rights for 10 years. In January 1998, Zhang was released on bail for medical treatment, and he was subsequently allowed to live near Shanghai where he spent his last years with his wife, Wen Jing (Hong Kong, *ZTS*, 11 May).

(c) *Social and Legal Affairs*

The National Bureau of Statistics (NBS) reported that as of end-2004, the number of rural residents classified as living in "abject poverty" – defined in terms of per capita income of 668 *yuan* – had fallen by 2.9 million below the level of 2003 to 26.1 million (2.8 per cent of the total rural population). During the same 12-month period, the number of those classified as low-income residents (924 *yuan*), but whose food and clothing problems had been overcome, fell from 56.17 to 49.77 million (or 5.3 per cent of the rural population) (XHNA, 21 Apr.; but see also XHNA, 27 May).

According to the Ministry of Labour and Social Security (MOLSS), the number of people covered by old-age, medical, maternity and industrial injury social security programmes totalled 165.5 million, 127 million, 44.9 million and 70 million (March 2005). These figures implied only modest year-on-year rises – by 0.9, 2.5, 2.4 and 2.4 per cent, respectively – compared with 2004. There were also 104.4 million people covered by

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unemployment insurance, 4.1 million of whom had received insurance payment (XHNA, 23 April).

China's National Narcotics Control Commission revealed that the total number of drug addicts in China in 2004 was 791,000 – 6.8 per cent more than in 2003. The report noted that almost 86 per cent of these were addicted to heroin, although it acknowledged that the number of people dependent on new kinds of drugs was also rising. The three major categories of drug addicts were said to be young people, farmers and the unemployed. In 2004, 98,000 drug-related cases, involving 66,900 suspects, were uncovered; 10.8 tons of heroin were seized, as well as 3 million ecstasy pills and 160 tons of chemicals destined for drug manufacture (XHNA, 4 Apr.).

Amnesty International's most recent report on the death penalty noted that 90 per cent of the executions recorded throughout the world in 2004 – 3,400 out of 3,797 – had been carried out in China. An Amnesty representative suggested that the Chinese figure was a significant underestimate and quoted a NPC delegate to the effect that "nearly 10,000" people were executed annually in China (Hong Kong, *SCMP*, 5 Apr.).

On 13 April, the State Council's Information Office published a White Paper on Human Rights ('China's Progress on Human Rights in 2004': see XHNA, 13 Apr.) – the eighth of its kind to be issued since 1991. It contained eight sections, as follows:

Foreword
I. People's Rights to Subsistence and Development
II. Civil and Political Rights
III. Judicial Guarantee for Human Rights
IV. Economic, Social and Cultural Rights
V. Equal Rights and Special Protection for Ethnic Minorities
VI. The Rights and Interests of the Disabled
VII. International Exchanges and Cooperation in the Field of Human Rights

The essential thrust of the document was captured in a statement in the Foreword to the effect that "China is a developing country, and its human rights conditions are in a process of sustained development and perfection. The Chinese government pays special attention to respecting and safeguarding human rights. It will take effective measures to promote the development of human rights and to raise the level of human rights and basic freedom enjoyed by the Chinese people."

(d) *Economic Affairs*

On 18 April, *Renmin Ribao* published the full text of the State Council's 'Opinion on strengthening the economic system reform in 2005.' The document stressed the urgent need to accelerate reform through the implementation of ten "key tasks." It stated that, in general, conditions offered a favourable environment in which to pursue economic and social development, but also conceded that institutional constraints

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continued to impede the full potential for rapid and stable growth. The existence of such barriers highlighted the imperative of reform. Priority tasks for 2005 were: to improve the dynamism and competitiveness of the industrial economy through enterprise reform, structural adjustments and the expansion of the non-public economy; to put in place a comprehensive and effective regulatory and control system, especially with respect to the financial and tax system, and the banking system; to perfect resource distribution through the establishment of a "modern market system;" and to provide the appropriate legal underpinnings of economic development. The extent to which these goals were fulfilled during 2005 would help determine the extent of progress towards achieving "comprehensive, co-ordinated and sustainable" social and economic development in China.

People's Daily quoted the State Council's 'Opinions on Deepening Economic Structural Reform in 2005' to the effect that China's reform programme faced an imminent "crucial battle," as it embarked on a new strategy of "scientific development," intended to resolve serious economic and social contradictions. Meeting these challenges demanded a high degree of co-ordination in the face of interest claims of "multiple interest groups," and entailed a high degree of risk. In short, "the reform situation has never been more complex than it is now and reform has never been more difficult than it is now" (*RMRB* website, 13 May).

The commentary noted that despite the gradual establishment of a socialist market economy, in some areas reforms remained superficial, tentative and "flawed." The root cause of such problems was a "failure to sort out the institutions and mechanisms in a fundamental way." Their solution demanded intensified reform efforts, embodying political, cultural, and social changes – "[t]ruly, reform has become a mammoth piece of systems engineering."

Meeting these demands required the implementation of measures (including creating new institutions) that would successfully address a variety of interest problems that currently impeded China's continuing economic and social development. For example, it was essential to put in place systems and mechanisms that would guarantee steady income growth for farmers and others in the rural sector. There was urgent need too for innovations in "social management and the public service system" that would eliminate "urban-rural dualism" and facilitate more effective urban and rural integration. Another key challenge was to find ways of "keeping the state economy in control amid the diversification of property rights … [while] … overcoming invisible barriers to the development of the non-public economy and the establishment of a visible supervisory and regulatory system." Meanwhile, the creation of a "unitary nationwide mass market" presupposed the narrowing of regional development and welfare gaps (including "balancing the efficiency and fairness of the income distribution mechanism").

The commentary recognized that as structural reforms continued, the "mixed-ownership economy … [would] … become the leading economy across the nation." This would pose major questions of management, regulation and control, requiring the central government to "switch from

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the direct command-type of management and administrative intervention to indirect regulation and control, from running the enterprises directly to guiding the enterprises through the market." Hence, the need for the institution of an effective, yet flexible, regulatory system, backed up by appropriate laws, rules and regulations, designed to protect the "rights and interests of the major market entities."

In a speech at the opening ceremony of the 2005 Fortune Global Forum (Beijing, 16 May), Hu Jintao reviewed China's recent growth record and noted that by 2020 the Chinese government's goal was that China's GDP would have reached around US$4 trillion, or four times that of 2000. Targeted average per capita income was $3,000. He reaffirmed the intention of fulfilling this objective through a "scientific approach" towards economic and social development of the country:

> We must put the people first, making the fundamental interests of the broadest masses of people our point of departure and endeavouring to satisfy their growing material and cultural needs to pursue the comprehensive development of man. We must focus on economic development as our central task, making development our top priority. … We must follow a new course of industrialization, endeavour to overhaul the economic structure, quickly transform the ways of economic growth by improving its quality and efficiency, vigorously develop the circular economy and build a resource-effective and environment-friendly society, thus blazing a trail of development characterized by higher productivity, comfortable life for the people and a sustainable eco-system.

Hu reiterated the centrality of opening China to the outside world. He noted that as of end-2004, China had received a cumulative US$562.1 billion in foreign direct investment (FDI), involving the establishment in China of more than 500,000 foreign-funded enterprises with associated imports of $560 billion p.a., as well as more than 700 research and development (R&D) centres. Investors with a presence in China included over 400 firms out of the 'Fortune 500' (XHNA, 16 May).

In another speech to the 2005 Fortune Global Forum, Vice-Premier Zeng Peiyan listed eight favourable factors enjoyed by China in its attempt to achieve rapid and sustainable development (XHNA, 17 May). They were: on-going improvements in its consumption structure; the accelerated process of industrialization and urbanization; the scale of market potential; the abundance of labour; the maintenance of a high and increasing rate of savings; improvements in infrastructure; the gradual perfection of the socialist market economic structure; and the further opening of China to the outside world. In order to take advantage of these conditions, the Chinese government was determined to "adopt a scientific development concept, uphold a people-centred approach, and promote comprehensive, co-ordinated, and sustainable development." To these ends, its efforts would be concentrated on five main areas:

- strengthening the agricultural infrastructure and raising farmers' incomes;
- guaranteeing energy supplies;
- improving environmental protection;

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- emphasizing scientific and technological innovation;
- advancing market-based reform.

It was reported that China had become the largest consumer electronics-producing country in the world. In 2004 the export revenue of electronics information products was US$207.5 billion, or 35 per cent of the total value of exports. China was also the second-largest *consumer* electronics market in the world after the United States (XHNA, 16 May).

The gross value-output of China's software industry increased from 59.3 billion *yuan* (2000) to some 230 billion – an implied average annual rate of growth of 38 per cent. During the same period, software exports rose from 400 million to 2.8 billion *yuan* – up by 64 per cent p.a. (XHNA, 15 June).

Meanwhile, in 2004 China's gross energy output reached 1.97 billion tons (SCE), or 11 per cent of global production. As a result, China ranked third in the world after the US and Russia. In the same year, China's gross installed capacity was 440m KW, making it second in the world (*RMRB* website 27 May).

In April it was announced that China would establish a leading group office for energy, under the directorship of Ma Kai (Minister in charge of the State Development and Reform Commission (SDRC)). The new body, which would fill an institutional vacuum resulting from the closing of the Ministry of Energy in 1993, would facilitate the formulation of energy plans and policies (XHNA, 29 Apr.; for further comment, see XHNA, 30 May). Subsequently, it was reported that Wen Jiabao would lead the new energy leading group.

The new body held its first meeting on 2 June. It was agreed that against the background of recent serious energy shortages and with demand likely to increase as a result of continuing industrialization and urbanization, the strategic importance of energy must be emphasized. It was decided that the new group would formulate a mid- and long-term national plan for energy development, designed to adjust China's energy structure. Priority would be given to coal mining and power supply projects, with special efforts directed towards creating large coal production bases, enhancing coal mining technologies and improving coal transport. In addition, energy sources such as nuclear power, wind power and solar energy would be developed (XHNA, 3 June).

The Commission of Science, Technology and Industry for National Defence (CSTIND) revealed that China planned to build 40 nuclear power generation units, with a capacity of 40m kW, by 2020 (accounting for 4 per cent of total installed power generating capacity). The plans reflected the increasingly important role of nuclear power in supplying China's power needs. The first steps would embrace the second phase of the Lingao Nuclear Power Plant (in Guangdong) and construction of the Qinshan Nuclear Power Plant (Zhejiang), and the Yangjiang and Sanmen plants (Guangdong and Zhejiang). A CSTIND official said that nuclear power would become "the pillar of energy supply in coastal areas of east

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China" (XHNA, 6 Apr.; for a more detailed report of China's nuclear energy plans, see *ZXS*, 6 June).

An article in *Gongren ribao* (*Workers' Daily*, 8 Apr.) noted that efforts to maximize employment faced four major structural problems, including an excess supply of labour, unbalanced employment conditions between different regions and deficiencies in securing new jobs for laid-off workers in collective enterprises.

It revealed that in addition to 13 million laid-off workers seeking jobs, a further 11 million people – new entrants to the labour force, demobilized soldiers and university graduates – were also looking for employment. Given that one percentage growth in GDP raised the employment rate by 0.1 percentage points, the expectation that economic growth would slow in 2005 merely added to such pressures. Hence, the need in 2005 to prioritize the employment issue. Thus,

> [M]ore attention should be paid to improving employment quality while expanding employment; more attention should be paid to solving employment for difficult masses [sic] and to the basic issue of social security while maintaining labour rights; and more attention should be paid to the research on establishing long-effective mechanisms while relaxing the present prominent contradictions.

Employment and re-employment targets for 2005 included providing 9 million jobs for new entrants to the urban labour force; finding 5 million jobs for the re-employment of laid-off workers; training 4 million laid-off workers for future re-employment; raising the professional skills of 5 million rural migrants; instructing 300,000 people to enable them to set up their own businesses; and training 150,000 new technicians.

As of end-March 2005, the value of the commercial banking sector's non-performing loans (NPLs) was 1.827 trillion *yuan*; its ratio of NPLs to total loans was 12.4 per cent. Of the total, NPLs of state-owned commercial banks were 1.567 trillion *yuan*; those of share-holding commercial banks, 145.79 billion *yuan*; those of urban and rural commercial banks, 107.38 billion *yuan*; and bad loans of foreign commercial banks were 3.6 billion *yuan* (XHNA, 16 May).

It was reported that in 2004 average per capita GDP in the Chang (Yangtze) River Delta region, comprising 16 cities (including Shanghai and 15 more in Jiangsu and Zhejiang provinces), was 35,147 yuan – 20 per cent more than in 2003. The regional aggregate GDP was 2.88 trillion yuan, or 21 per cent of national GDP (XHNA, 4 Apr.).

An article in *People's Daily* (*RMRB* website, 31 Mar.) stressed the importance of promoting the economic development of "central China" (i.e., Hunan, Hubei, Jiangxi, Anhui, Henan and Shanxi) – a region which contained a quarter of total population and accounted for almost 25 per cent of national GDP. The region's economic importance was highlighted in its role as a source of grain, energy and industrial raw materials. Thus,

> These six provinces connect west China with east China and link up north China with south China. … [They] are an important hub for transportation and cargo

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circulation in China … . [They] have unparalleled advantages for creating an overall market and developing an overall cargo circulation network.

A senior official of the State Council's Policy Research Office confirmed that in 2005 China would launch a new strategy of "developing the central region" as part of a strategic plan to achieve more balanced regional development in China. He noted that with 10.7 per cent of China's surface area, the central region generated 23 per cent of China's total GDP. It's role as the country's main grain-producing area was one reason why its economic development had lagged behind not only that of the more advanced coastal provinces, but even parts of the western region. The aim of the new initiative was to enable central China to catch up with the average national growth level – and in due course, the average level of more developed countries. The process would, however, be a long-term one and one observer suggested that the central region would need 20–30 years before it caught up with its coastal counterpart. Key components of the strategy would be to increase the competitiveness of Hubei's iron and steel, car and photoelectron industries, to transform Anhui into a manufacturing base, and to facilitate agricultural modernization and accelerated industrialization in Henan (XHNA, 29 Apr.). (For plans to revitalize China's Northeast, see XHNA, 11 June.)

An analysis of the strategic initiative to "open up the West" (*xibu kaifa*) offered interesting insights into the achievements and problems of the on-going project (*RMRB* website, 18 Apr.). Policies implemented since the launch of the project in 2000 had brought about significant improvements in the infrastructure and investment environment of the western region's 12 provinces (including Chongqing municipality and relevant autonomous regions). During 2000–04, regional GDP had risen by about 10 per cent, and some 60 major energy, transport, hydraulic and ecological projects had been started.

At the same time, however, development in western China still faced many problems. There were serious deficiencies in transport, communications and energy, and many aspects of the region's ecological environment continued to deteriorate. Serious water shortages persisted; educational and public health standards lagged behind those of other parts of the country; and there was still a lack of skills (not least, as a result of a regional brain-drain to other regions). Increases in domestic private investment and in foreign direct investment (FDI) had been insufficient to fulfil western regional growth targets.

If such problems were to be overcome and the targets for western China fulfilled, it was essential to make full use of the region's advantages and resources – especially energy, mineral reserves and tourist potential – in order to promote more rapid and effective industrial and economic growth. As elsewhere in China, opening up the West should be based on application of the concept of "scientific," co-ordinated development.

A World Trade Organization (WTO) report noted that in 2004 China was the world's third-largest trading country (after the United States and

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Germany), and overtook Japan to become the largest foreign trading country in Asia. It reaffirmed China's role as the "world's factory" (Kyodo, 14 Apr.).

At the end of March, China's foreign exchange reserves stood at US$659.1 billion – 49.9 per cent above the same point in 2004, and more than 8 per cent above the end-2004 level. As such, China had the second-largest foreign exchange holdings in the world after Japan.

A report issued by the State Environmental Protection Administration (SEPA) highlighted the parlous state of environmental conditions in China. It revealed that all seven major rivers, as well as 25 out of the country's 27 major lakes, were polluted (some seriously). The worst affected was the Haihe River in north China, followed by the Liaohe, Huaihe (for another report on the Huaihe, see XHNA, 5 June), Huang, Chang and Zhu Rivers; the most heavily polluted lakes were the Taihu, Chaohu and Dianchi Lakes. The total area affected by soil erosion reached 3.56 sq. km. (37.1 per cent of China's total surface area). Data also showed that more cities were affected by acid rain, the frequency of which had also increased. In 2004 acid rain fell in 298 Chinese cities, or 56.5 per cent of the 527 cities monitored; the number of cities affected by serious acid rain (lower than pH 5.6) reached 218 (XHNA, 2 June; on water shortages, expected to peak around 2030, see XHNA, 8 June).

The report also conceded that waste treatment facilities in urban China were "quite inadequate." It revealed that in 500 major Chinese cities, less than a third of domestic sewage and only 58 per cent of domestic garbage were treated. In addition, only 60.44 per cent of hazardous waste – "especially waste from hospitals" – was treated in Chinese cities in 2004; in 155 of these cities, there were no public facilities at all for hazardous waste treatment.

(e) *Minorities*

On 26 May, the Central Ethnic Work Conference opened in Beijing. It was addressed by Hu Jintao, who highlighted the importance of China's ethnic work "in the new century and new period." He pointed out that the population of China's 56 minority nationalities exceeded 100 million people, while its ethnic autonomy regions accounted for 64 per cent of the country's surface area. In a reference to the strategy of "scientific" development, Hu spoke of the new challenges facing the government in its efforts to promote sustainable and harmonious social and economic growth (for more details, see *RMRB* website, 28 May).

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

It was reported that between 1 July 1997 and 30 April 2005, the HKSAR government's Immigration Department had received 4,372 applications for naturalization as Chinese nationals, 3,786 (95 per cent) of which had been approved. Indonesians accounted for most (1,735) of the

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applications, followed by Pakistanis (833), Indians (552) and Vietnamese (547) (XHNA, 18 May).

During February–April 2005, Hong Kong's seasonally adjusted unemployment rate was 5.9 per cent – the lowest level since September–November, 2001.

On 25 May RTHK reported that the Acting HKSAR Chief Executive, Donald Tsang, had resigned from the government in order to run for the post of Chief Executive. The Financial Secretary (Henry Tang) replaced him as Acting Chief Executive, while the Housing Secretary (Michael Suen) became Acting Chief Secretary. Meanwhile, HKSAR's Legislative Council voted by 33 to 21 (with one abstention) in favour of a bill that would limit the term of the next Chief Executive to two years instead of five.

It was announced by the returning officer of HKSAR's Registration and Electoral Office on 16 June that as the sole valid candidate in the election of the Chief Executive and in accordance with Articles 23 and 28 of the Chief Executive Election Bill of Hong Kong, Donald Tsang had automatically become the Chief Executive-Designate. Five other nominations that had been submitted were declared to be invalid. Tsang gained the support of 674 out of 796 members of the Election Committee (XHNA, 16 June). On 21 June, Wen Jiabao signed a State Council decree, appointing Tsang as the Chief Executive of the Hong Kong Special Administrative Region from 21 June 2005 until 30 June 2007.

2. Foreign Relations

(a) *Diplomatic Tours*

Li Zhaoxing's visits to Nepal, the Maldives and Afghanistan

On 1 April, Li Zhaoxing concluded a two-day official visit to Nepal. He said that his talks with the Nepalese foreign minister had yielded positive results. He looked forward to further bilateral co-operation over a range of economic, trade, educational and cultural activities. During his visit, Li also met King Gyanendra and other senior government officials (XHNA, 1 Apr). Before leaving Kathmandu, Li insisted that the question of Nepal's internal security was not discussed during his talks.

Li arrived in Male on 1 April for an official visit to the Maldives for talks with Acting Foreign Minister Ahmed Abdulla and President Abdul Maumoon Gayoom.

The Chinese Foreign Minister travelled from male to Kabul, where he held talks with the Afghan President, Hamed Karzai. On 4 April, Li addressed the opening ceremony of the third "Afghanistan Development Forum." He called on the international community to take an active role in helping promote the post-war reconstruction of Afghanistan. To this end, he put forward a four-point proposal, which stressed the importance of securing internal stability, improving the political framework, fostering

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co-operation between Afghanistan and its neighbours, and continuing to make available international aid (XHNA, 4 Apr.).

Wen Jiabao's tour of South Asia (Pakistan, Bangladesh, Sri Lanka and India)

On 5 April, Premier Wen Jiabao left Beijing for Pakistan on the first leg of a tour of South Asian countries designed to "increase trust, deepen friendship, expand cooperation and map out future development" with countries of the region. Wen was accompanied by Foreign Minister Li Zhaoxing, Minister of Education Zhou Ji, Minister of Commerce Bo Xilai and other senior officials.

Following his arrival in Islamabad, Wen Jiabao held talks with the Prime Minister of Pakistan, Shaukat Aziz. The two men exchanged views on bilateral relations and reached a broad consensus on the further development of "mutually beneficial cooperation." Aziz expressed the hope that the establishment of a Free Trade Area would provide a framework in which China and Pakistan could further strengthen bilateral economic co-operation and trade, especially in respect to energy and transportation. Wen Jiabao's remarks echoed these sentiments, and he also called for stronger security co-operation on the basis of a co-operative agreement to combat the " 'three forces' " [violent terrorism, ethnic separatism, and religious extremism]. The two leaders also discussed regional and international issues. Following their discussions, the two men signed a 'China-Pakistan Treaty on Good-Neighbourliness, Friendship, and Cooperation,' described by Xinhua as "a document of great historical and practical significance." They also attended a signing ceremony for a "dozen or so" bilateral co-operative documents, including agreements on combating terrorism, separatism, and extremism; on economic and technological co-operation; on co-operation and mutual assistance in customs affairs; and on the "Early Harvest" programme, intended to generate a bilateral agreement on free trade (XHNA, 5 Apr.).

In a speech to business leaders and officials, Wen called for more bilateral trade and investment in order to strengthen the "strategic and cooperative partnership" between China and Pakistan. He noted the rapid development in bilateral trade: in 2004, the value of such trade had reached US$3 billion – 26 per cent above the 2003 level and three times that of 2000.

Also during his stay in Islamabad, the Chinese Premier addressed the fourth Ministerial Meeting of the Asia Cooperation Dialogue.

On 7 April, Wen Jiabao arrived in Dhaka. His talks with Prime Minister Khaleda Zia focused on bilateral relations, both leaders committing themselves to strengthening friendly ties and promoting further exchanges and co-operation. Wen proposed that China and Bangladesh should establish a "long-term and friendly partnership of equality and mutual benefit" in order to set their relations on a firm political foundation. The two sides later signed nine co-operative documents on

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peaceful use of nuclear energy, economy, agriculture and water resources (XHNA, 7 Apr.; for the text of the two sides' joint communiqué, see XHNA, 8 Apr.).

In Colombo (8 April), Wen Jiabao was at pains to express his deep sympathy to families in Sri Lanka's tsunami-stricken regions. During his meeting with President Chandrika Bandaranaike Kumaratunga, he suggested that two countries should establish an "all-round and cooperative partnership." In particular he called for an expansion of inter-government, inter-parliamentary and inter-party exchanges, as well as the strengthening of trade and economic co-operation (e.g., in agriculture and fisheries). He hoped too that the two sides could enhance their co-ordination in regional and international issues. Following their talks, Wen and Kumaratunga attended a ceremony to witness the signing of six documents (XHNA, 8 Apr.). The last leg of his tour took the Chinese Prime Minister to India (Bangalore), where he held talks with senior government officials. In Bangalore (10 April), Wen Jiabao called for China and India to co-operate in the information technology (IT) industry ("If [we] co-operate in the IT industry, we will be able to lead the world IT industry"). The two sides should, he said, take advantage of their complementarity – the fact that India's advantage was in software, while China's was in hardware (Press Trust of India [PTI], 10 Apr.).

On 11 April, Wen met the Indian Prime Minister, Manmohan Singh, with whom he discussed bilateral issues, including the boundary question. Their talks took place against the background of agreement have been reached the previous day (see below) on "political parameters and guiding principles" governing the settlement of the border issue. The agreed framework provided for a three-tier process towards a final settlement: first, an accord on guiding principles; second, the establishment of an agreed framework; third, the delineation of the border itself (PTI, 11 Apr.).

The two sides also agreed to increase bilateral trade from the current level (c. US$13 billion) to $20 billion by 2008. It was reported that a Joint Study Group, set up to examine the potential complementarities between the two countries' economies, had identified a number of areas in which trade and investment could be extended. The recommendations would be considered during the next half-year by the ministerial-level India–China Joint Economic Group. China was also looking into the possibility of granting market access to Indian rice.

In addition to the border agreement, ten other accords were signed during Wen's visit to India. Prime Minister Manmohan Singh accepted an invitation to visit China. For the full text of the India–China Joint Statement, see XHNA, 12 Apr.

Meanwhile, on 10 April in New Delhi, special representatives from China and India ended their fifth round of talks on the border question. They reached agreement on the principles intended to facilitate the solution of outstanding border issues. According to the Chinese delegation, the meeting was held in a "cordial, cooperative and constructive" atmosphere. The next round of talks would take place in Beijing.

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Hu Jintao's tour of Southeast Asia (Brunei, Indonesia, Philippines)

On 20 April, Hu Jintao arrived in Bandar Seri Begawan for a two-day state visit to Brunei.

From Brunei, the Chinese President flew to Jakarta (21 April), where he held talks with Indonesian government leaders. During his stay in Indonesia, Hu attended the Asia–African summit (see below under 'International Organizations'). His talks with Indonesian government leaders focused on bilateral and regional issues.

From Jakarta Hu flew to Manila, where he met the President of the Philippines, Gloria Macapagal-Arroyo. At the conclusion of Hu's visit, the two sides issued a joint statement, stating that bilateral relations had reached a "golden age of partnership." The two governments had committed themselves to strengthening economic co-operation, especially in agriculture, infrastructural construction and mineral resources. Personnel exchanges, and defence and security co-operation would also be enhanced (XHNA, 28 Apr.). In a speech to members of the local Chinese community, Hu noted that two-way trade rose by 31 per cent to reach US$13.3 billion in 2004, and expressed confidence that the figure would fulfil the targeted level of $30 billion by 2010.

(b) *Countries, Territories and Regions*

Africa (Nigeria)

On 14 April, President Hu Jintao held talks in Beijing with President Obasanjo of Nigeria. Both men spoke with satisfaction of the level of development of bilateral relations, drawing particular attention to the results of trade and economic co-operation (especially in oil and gas development, infrastructural construction, agricultural development, and high technology). Hu noted that Nigeria had become China's second-largest export market in Africa and its fourth-largest African trading partner. Two-way trade had reached US$2.18 billion in 2004. The Chinese President hoped that the future strengthening of relations between the two countries would enable them to establish a "strategic partnership" (XHNA, 14 Apr.). The two sides signed five economic agreements, embracing investment, telecommunications services, technological support and other activities). The trade volume between the two countries reached 2.18bn US dollars in 2004. Nigeria is now China's second largest export market and fourth largest trade partner in Africa. (For details of the two countries' Joint Statement, see XHNA, 15 Apr.)

Australasia and the Pacific Ocean (Australia, Samoa, New Zealand, Fiji)

On 18 April, the Prime Minister of Australian (John Howard) arrived in Beijing on a visit – his fifth – to China. Before leaving Australia,

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Howard said that his talks in the Chinese capital would cover all aspects of bilateral relations (including trade, economic issues and ways of furthering a free trade agreement between the two countries). Following Howard's talks with Wen Jiabao, a Memorandum of Understanding revealed that the two sides had agreed to begin discussions towards the establishment of a free trade area – this in the wake of Australia's recent recognition of China's full market economy status. Xinhua noted that China was Australia's third-largest trading partner and its second-largest export market. The value of two-way trade had reached US$20.39 billion in 2004 – up 50.3 percent on the 2003 level, twice as high as in 2002 and more than 230 times the level of trade in 1972, when the two countries established diplomatic relations.

Later the same day, Howard met Hu Jintao. Hu spoke of "remarkable" progress having recently been made towards the further development of relations between China and Australia. The culmination of this was the agreement, just reached, to begin talks on a free-trade agreement. He praised Howard for his government's adherence to the one-China policy and its opposition to " 'Taiwan independence.' "

Sailele Malielegaoi Tuila'epa (Prime Minister of Samoa) arrived in Beijing on 8 May for talks with Wen Jiabao, Wu Bangguo and other Chinese leaders. For details of the two sides' joint statement, see XHNA, 9 May.

On 30 May the Prime Minister of New Zealand (Mrs. Helen Clark) held talks with Wen Jiabao in Beijing. The Chinese Premier spoke with satisfaction of the positive development of relations between China and New Zealand, and noted that both countries shared close or identical views on a wide variety of regional and international issues. He hoped that trade, economic and technological co-operation would continue to expand on the basis of the two countries' complementarity. Prime areas for economic co-operation were agriculture, animal husbandry, forestry, energy, and resource exploration and development. Clark responded positively to Wen's remarks, and hoped that on the basis of on-going discussions, the two sides would be able to reach a free trade agreement. A spokesman of the Chinese Ministry of Commerce noted that the value of two-way trade reached US$2.5 billion in 2004 – twice as high as in 2001 (XHNA, 30 and 31 May). Following the first meeting of the China-New Zealand Joint Ministerial Commission, Xinhua reported that China and New Zealand had agreed to establish a free trade area at the earliest opportunity.

The Prime Minister of Fiji (Laisenia Qarase) arrived in Beijing on 25 June for talks with Hu Jintao, Wen Jiabao and other senior Chinese officials. Hu noted recent increases in trade, economic, cultural and educational co-operation, and tourism. In response, Laisenia Qarase endorsed Hu's remarks and expressed his government's gratitude for Chinese support "in numerous aspects." He hoped that the two sides would expand their co-operation in trade, investment, tourism and fisheries (XHNA, 25 June).

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Caribbean (Jamaica)

On 19 June, the Prime Minister of Jamaica (Percival Noel James Patterson) arrived in Beijing for talks with Hu Jintao, Wen Jiabao and other senior Chinese officials. The foci of his talks were bilateral relations and major international issues. Paterson and Wen agreed to strengthen bilateral economic and technological co-operation. They witnessed the signing of four co-operation agreements. Paterson also visited Shanghai and Xi'an. Xinhua reported that in 2004, the value of bilateral merchandise trade was nearly US$400 million – 90.8 per cent more than in 2003.

Central and Eastern Europe (Latvia, Croatia, Czech Republic)

On 22 May, the Latvian Foreign Minister Artis Pabriks) arrived in Beijing for a six-day visit to China at the invitation of Li Zhaoxing.

A few days later, Ivo Sanader (Prime Minister of Croatia) also arrived in Beijing, accompanied by a large delegation of representatives of the oil, steel, banking and food sectors. Following talks between Sanader and Wen Jiabao, the two sides signed a joint statement, pledging the establishment of a "comprehensive cooperative partnership" (text in XHNA, 27 May).

On 25 June, the Czech Prime Minister (Jiri Paroubek) exchanged views with Hu Jintao on bilateral relations, and regional and international issues. Against the background of recent trade disputes with the EU, Hu spoke of the importance which the Chinese government attached to further developing its relations with the EU. He spoke positively too about Sino-Czech relations, noting that frequent visits between the two countries had strengthened mutual political trust, whilst enhancing trade and economic co-operation. Paroubek's remarks echoed those of the Chinese President (XHNA, 25 June). Later, Paroubek also held talks with Wen Jiabao.

Japan

On 5 April, a Chinese Foreign Ministry spokesman expressed his government's indignation at the Japanese government's recent publication of a new edition of a middle school history textbook. According to the spokesman, the book "confounds right and wrong despite the time and again severe representations lodged by the Chinese government" (XHNA, 5 Apr.). A XHNA commentary (5 Apr.) was outspoken in its condemnation of the book, which it described as being "rife with historical distortion and misrepresentation."

Four days later, what was described as the biggest public demonstration since 1989 took place in Beijing, involving between 10,000 and 20,000 people protesting against Japanese failure to acknowledge its wartime aggression and the Japanese government's attempt to become a permanent member of the UN Security Council. The protestors carried Chinese flags and displayed banners with slogans, reading "Down with

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Japanese" and "Boycott Japanese goods." Although the rally was mostly peaceful, there was some violence when rocks were thrown at the Japanese Embassy, causing windows to be smashed.

The following day (10 April), the Japanese Foreign Minister, Nobutaka Machimura, summoned China's Ambassador in Tokyo in order to protest against the violence. He demanded an apology, asked for compensation for the damage caused and sought assurances on behalf of Japanese nationals in China that there would be no recurrence of the incident (Kyodo, 10 Apr.).

Also on 10 April, anti-Japanese demonstrations took place in Guangzhou and Shenzhen (both in Guangdong province) (Hong Kong, RTHK, 10 Apr.). The same day, Kyodo reported that two Japanese students were beaten up in Shanghai.

On 15 April, the Japanese Embassy in Beijing and consulates in Shanghai, Shenyang, Guangzhou and Chongqing warned Japanese citizens in China to keep a low profile in the light of information that further demonstrations were likely to take place in major Chinese cities. The following day, tens of thousands of demonstrators were reported to have taken to the streets of Shanghai and made their way to the Japanese consulate in order to protest against the recent approval of the history textbook, and more recent oil-exploration activities by Japanese firms in disputed waters in the East China Sea. Yonhap (Seoul, 16 Apr.; see also XHNA, 16 Apr.) later reported that the demonstrations had become violent, as the protestors hurled paving stones at the Japanese consulate. Also on 16 April and continuing into the following day, demonstrations also took place in Hangzhou (Zhejiang), Shenyang (Liaoning), Guangzhou, Shenzhen, Zhuhai and Dongguan (Guangdong), Nanning (Guangxi), Chengdu (Sichuan), Chongqing – and Hong Kong. Although an official of the Shanghai Municipal Government subsequently urged Chinese citizens to behave in a law-abiding manner, he pointed out that it was Japan's "wrong attitudes and actions on a series of issues such as its history of aggression" that had incited the demonstrations in Shanghai (XHNA, 16 Apr.; also *ZTS*, 17 Apr.).

Such was the backcloth against which talks began (Beijing, 17 April) between the Foreign Ministers of Japan and China – Nobutaka Machimura and Li Zhaoxing. Matters for discussion were expected to include the anti-Japanese protests taking place in China, energy projects in the East China Sea, and Japan's recent approval of the history textbook. In response to Machimura's expression of regret about "vandalism" against Japanese property and violence towards Japanese people, Li insisted that the Chinese government "has never done anything that would require it to be apologetic to the Japanese people" (Kyodo, 17 Apr.). The two ministers were said to have agreed to try to arrange a meeting later in the week between the Japanese Prime Minister (Junichiro Koizumi) and President Hu Jintao in Indonesia, where both men were to attend the two-day Asia-Africa Summit. Meanwhile, Vice-Foreign Minister Wu Dawei said that relations between China and Japan were facing

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their most serious challenge since diplomatic relations were normalized in 1972 (Kyodo, 18 Apr.).

During his visit to the Asia–African Summit in Jakarta, on 23 April Hu Jintao held talks with the Prime Minister of Japan, Junichiro Koizumi. Hu spoke of his government's wish to improve relations between with Japan. To this end, he made a four-point proposal, calling on the Japanese government to make clear its rejection of Taiwanese independence and suggesting that China and Japan should expand exchanges and resolve to address existing problems through dialogue. Not least, he also urged Tokyo to "reflect on history." The meeting between the Chinese and Japanese leaders took place a day after Koizumi had made an apology for Japan's past wrongdoings and militarism (Kyodo, 23 Apr.; see also XHNA, 23 Apr. for the text of the two sides' joint communiqué).

On 7 May, the Japanese and Chinese Foreign Ministers (Nobutaka Machimura and Li Zhaoxing) held talks in Kyoto, where the Seventh Asian-European Foreign Ministers' Meeting was taking place. They failed to reach any consensus on Japanese demands that China should apologize for the damage caused to Japan-related premises in Beijing and Shanghai during recent anti-Japanese rallies. But they did agree to launch a joint study on their history and to hold talks on China's gas explorations in the East China Sea. Li told Machimura that the Japanese Prime Minister should not undertake any further visits to the Yasukuni Shrine (Kyodo, 7 May). He added,

> Both sides should make joint efforts to properly and correctly deal with history and Taiwan issues in accordance with the principle stipulated in the three Sino-Japanese political documents so as to safeguard the political foundation of Sino-Japanese ties. It is crucial for the Japanese side to earnestly materialize its promises on history and Taiwan issues with concrete actions and not to carry out any more activities that will hurt the Chinese people's feelings.

Xinhua (7 May) reported that Li and Machimura's talks had focused on bilateral relations. The Chinese Foreign Minister spoke of the significance of Hu Jintao's "five-point policy on healthily and stably developing Sino-Japanese ties," which he had proposed in his meeting with Junichiro Koizumi in Jakarta the previous month. He (Li) called on both sides to "comprehensively implement the consensuses of the leaders' meeting and create positive conditions for improvement and development of bilateral ties." Machimura agreed on the importance of Hu's recent meeting Koizumi. Thus,

> The Japanese side attaches great importance to and takes a serious attitude on President Hu's five-point policy, which provides important direction to future development of bilateral ties. Based on the spirit of the five-point policy, Japan is willing to make joint efforts with China to strive to improve and develop Sino-Japanese ties. He said: The three political documents between China and Japan are the foundation for properly dealing with history and Taiwan issues. The Japanese Government will uphold the principle of the three Japanese-Chinese political documents and the one-China policy.

In the second week of May, Chinese and Japanese Vice-Foreign

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Ministers (Dai Bingguo and Shotaro Yachi) held lengthy discussions in Beijing about the recent anti-Japanese protests in China. They failed to reach a settlement, but agreed to hold another meeting (Kyodo, 14 May).

Latin America (Colombia, Chile, Peru)

On 6 April, the Colombian President (Alvaro Uribe Velez) arrived in Beijing on his first visit to China since becoming President in 2002. Uribe held discussions with Hu Jintao, after which the two men witnessed the signing of five agreements, embracing co-operation in plant and animal quarantine, information and telecommunications, film exhibition, economy and technology. Uribe revealed that Hu had shown interest in the construction of an oil or gas pipeline from Venezuela across northern Colombia to the Pacific. He welcomed Chinese investment in Colombia's own high, but still unexplored, oil resources.

The following month, the Chilean Foreign Minister (Ignacio Walker) made a three-day official visit to China. Vice-President Zeng Qinghong noted that Chile was the first South American country to establish diplomatic relations with China, and spoke with satisfaction of the development of bilateral relations. The two men exchanged views on region and international issues of shared interest. Representatives later signed an agreement worth US$550 million to co-operate on copper development. The project, expected to involve up to $2 billion, would be implemented through a joint venture between China Minmetals Corporation and Corporacion Nacional del Cobre de Chile (CODELCO).

On 1 June, the President of Peru (Alejandro Toledo) began a six-day state visit to China. He noted that China had invested some US$300 million in mining, oil and fishery industries, and called for such investment to be increased, making Peru a "platform for Chinese products to integrate into [the] South American Market." In 2004, the value of two-way trade was $1.94 billion – 74.4 per cent more than in 2003. In January–March 2005, there was a further 124.1 per cent rise in such trade (XHNA, 2 June). Following talks between Toledo and Hu Jintao, the two sides signed seven documents on bilateral co-operation in transportation, education, health, tourism and other areas. Toledo also met Wen Jiabao.

Middle East (Palestinian National Authority)

The Palestinian leader, Mahmud Abbas, arrived in Beijing on 17 May for a three-day state visit to China – his first since succeeding Yasir Arafat as President of the Palestinian National Authority. He held talks the next day with Wen Jiabao, during which the Chinese Premier called for more trade and greater economic and technological co-operation. Wen praised Abbas's efforts to promote peace talks between Palestine and Israel, and expressed his government's willingness to help expedite the Middle East peace process.

Abbas also exchanged views with Hu Jintao, who reaffirmed China's support for the "just cause of the Palestinian people." He said that the

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Palestine–Israel issue must be resolved through "political consultations on the basis of the 'land for peace' principle and relevant UN resolutions," and he urged the parties concerned to restart the " 'road map' " plan
in order to establish an independent Palestinian state at the earliest opportunity (XHNA, 18 May).

Following talks between Hu Jintao and Abbas, the two sides signed five co-operation agreements.

Northeast Asia (South Korea [Republic of Korea])

Lee Hae-Chan, the South Korean Premier, arrived in Beijing on 21 June for a three-day official visit – his first as prime minister – to China. In an exchange of views on the situation on the Korean Peninsula, Wen Jiabao called on the six parties for more flexibility and greater sincerity in order to facilitate the early resumption of talks on the issue. He said that as one of the six parties, the Chinese government would join in such efforts. Wen and Lee also discussed bilateral relations and exchanged views of regional and international issues of common concern. They pledged themselves towards the promoting "bilateral overall and cooperative partnership" through wider co-operation and the resolution of outstanding bilateral trade problems. Lee Hae-Chan also held talks with Hu Jintao.

Xinhua noted that in the wake of rapid trade growth in recent years, the level of two-way trade reached US$90 billion (42.4 percent above the 2003 level) and was expected to rise to more than $100 billion in 2005. China was South Korea's largest trading partner, while Korea was China's fourth-largest (XHNA, 21 June). Meanwhile, Yonhap (Seoul, 22 June) reported that China and South Korea would participate in a nuclear energy policy forum in Seoul in order to examine the feasibility of expanded bilateral co-operation in this sector.

Russia and Central Asia (Uzbekistan)

On 8 May, at President Vladimir Putin's invitation, Hu Jintao flew to Moscow to attend the celebrations commemorating the 60th anniversary of the victory of Russia's Great Patriotic War. The following day, he held talks with Putin on bilateral relations (especially trade and economic co-operation). The Russian President told Hu that an additional protocol to fix the eastern section of the Russian-Chinese border had recently been submitted to the State Duma for ratification, hopefully by the end of May (the agreement was duly ratified by a majority of 227 votes, with two abstentions). The two men also discussed co-operation in the fuel and energy industry, military and technical co-operation, and preparations for the next meeting of the Shanghai Cooperation Organization (SCO). A Russian source noted that the value of two-way trade had reached US$14.855 billion (but $21.2 billion, according to Chinese sources) in

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2004. The goal was to raise this to $60 billion by 2010. In addition, China expected to invest $12 billion in Russia by 2020 (Moscow, Interfax, 9 May).

During his stay in Moscow, Hu Jintao also met the President of Turkmenistan (Saparmyrat Nyyazow). The two men agreed to strengthen bilateral trade and economic co-operation. Hu spoke of his government's wish that Chinese and Turkmen enterprises would co-operate in the exploration of Turkmenistan's gas and oil reserves (XHNA, 8 May). Hu also met the French President, Jacques Chirac, in Moscow.

On 25 May, President Islam Karimov of Uzbekistan began a three-day state visit to China. He held talks with Hu Jintao, and the two sides signed a friendly and co-operative partnership treaty. A dozen trade, economic and technological co-operation agreements were also signed.

The fourth informal trilateral meeting of the foreign ministers of Russia, India and China took place in Vladivostok on 2 June. The meeting reaffirmed the three sides' common approach to key global developments in the 21st century and their endorsement of the "democratization of international relations aimed at building a just world order based on the observance of international law, equity, mutual respect, cooperation and progress towards multipolarity." They also reaffirmed their support for the UN as the international organization best equipped to help fulfil this goal, thought they also called for comprehensive reforms of the UN (including its Security Council) in order to make the body "more reflective of contemporary global realities and more effective in discharging its functions."

The ministers were unequivocal in their determination to co-operate in the fight against terrorism, which they described as "one of the most serious threats to international peace and security." They agreed on the need for co-ordinated action between their three countries' law enforcement authorities to act against illegal drug-trafficking and other manifestations of trans-border crimes. They also exchanged views on prospects for trilateral economic co-operation, seeing considerable potential in agriculture, transportation, energy and high technologies. It was agreed the three sides would hold a "business meeting" in India before end-March 2006 (New Delhi, Press Trust of India, 2 June).

Southeast Asia (Myanmar [Burma])

On 27 April the Foreign Minister of Myanmar (U Nyan Win) travelled to Beijing for a four-day visit to China, designed to strengthen bilateral ties. Xinhua noted that in 2004 the value of two-way trade was US$1.145 billion, or 6.3 per cent above the 2003 level. Associated with this was a Chinese trade surplus of $731 million. The intention was to increase trade to $1.5 billion in 2005. As of January 2005, the value of Chinese contractual investment in Myanmar was $191 million (XHNA, 27 Apr.).

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Taiwan [Republic of China]

On 1 April, a Kuomintang (KMT) delegation, headed by KMT Vice-President Chiang Pin-kung, left Beijing after the first visit to the Chinese mainland by KMT officials in 56 years. Chiang described the visit as "ice-breaking … bridge-building" and said that he was "very much satisfied" with its results (which included signing a ten-point consensus) (see too a later comment on the visit by a spokesman of the Chinese State Council's Taiwan Affairs Office in XHNA, 13 Apr.). During their stay in China, the KMT delegation met Jia Qinglin (member of the CCPCC Political Bureau's Standing Committee of Central Committee and Chairman of the CPPCC National Committee), State Councillor Tang Jiaxuan, and Chen Yunlin (Director of the CCPCC's Taiwan Work Office). They also visited the KMT martyrs' tomb in Guangzhou, the Sun Yat-sen Tomb in Nanjing, and the Cenotaph of Sun Yat-sen in Beijing (XHNA, 1 Apr.).

Following their return to Taipei, the KMT delegation was criticised in some quarters for having allegedly 'sold out' Taiwan. The Taiwanese Prime Minister (Frank Hsieh) was at pains to emphasize that the discussions were simply "party-to-party" talks and lay outside "public affairs", which remained the government's responsibility. He added that it was unhelpful that political parties in Taiwan should compete to demonstrate their open attitude towards cross-strait relations through agreements with mainland bodies. The Vice-Chairman of the Mainland Affairs Council (MAC), Chiu Tai-san, was even more outspoken in his comment that the KMT delegation's visit to China had "disgraced the dignity" of Taiwan. Meanwhile, however, Lien Chan (Chairman of the KMT) said that he intended to accept a CCP official's invitation to visit China (CNA, 1 Apr.).

Accordingly, on 26 April a Kuomintang delegation, headed by its Chairman (Lien Chan), arrived in Nanjing – formerly the Chinese capital under the Republican government – at the invitation of the CCP General Secretary, Hu Jintao. Before his departure, Lien said that his forthcoming exchanges with Chinese officials were intended to strengthen understanding between the two sides. The itinerary would take Lien and his KMT colleagues to Nanjing, Beijing, Xi'an and Shanghai from 26 April to 3 May (for comments in anticipation of Lien's visit, see XHNA, 23 Apr., and CNA, 25 and 26 Apr.).

In Nanjing, the delegation met Li Yuanchao (Secretary of the Jiangsu CCP Provincial Committee). Following his arrival in Beijing (28 April), Lien insisted that it was the "common aspiration" of the people on both sides of the Taiwan Strait to build a "peaceful and win-win future." The following day, Lien's meeting with President Hu Jintao was broadcast live on Chinese television. Hu described the visit as a "big event in the history of relations between the CCP and the KMT … [and] in the current cross-strait relations." He interpreted Lien's presence in the Chinese capital as a sign that "[o]ur two parties … have entered a new development stage in exchanges, … [reflecting] determination and sincerity, and

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willingness to jointly promote the development of cross-strait relations." Lien's remarks echoed those of Hu Jintao (China Central TV, 29 Apr.).

Xinhua reported that in his meeting with the Chinese President, Lien Chan called for both sides to avoid confrontation and to seek "reconciliation and dialogue." He was said to have praised Hu Jintao's "positive" four-point guideline on cross-strait relations, which he described as a "call for peace" (XHNA, 29 Apr.).

In a speech which he made at Peking University, Lien Chan called for China and Taiwan to adopt responsible attitudes and to co-operate in promoting mutually-beneficial peace and development across the Taiwan Strait. He stressed the need to maintain a "stable status quo," which he described as an approach that "is not … passive … but aims to put aside differences and seek common ground so as to accumulate cross-strait goodwill 'bit by bit' for the positive development of cross-strait relations." He praised the developmental roles played in China and Taiwan by Deng Xiaoping and Chiang Ching-kuo [Jiang Jingguo], each of whom had "helped turn history in critical time." Lien spoke positively of China's "rapid political development, such as the holding of local elections and the inclusion of protecting property rights into the constitution," which, he said, was "moving China in the right direction … [even though] ample room remains for further political reform." The KMT Chairman also called for the two sides to co-operate, on the basis of their complementarity, in improving their competitiveness in order to respond to the forces of globalization. He described suggestions that his visit marked a " 'third KMT-CCP negotiation' aimed at uniting the CCP to check the pro-independence forces in Taiwan" as a "serious distortion of the facts [representative of] a rigid mindset left from the civil war era" (CNA, 29 Apr.).

A press communiqué issued after Hu and Lien's meeting noted that the CCP and KMT had agreed to "promote a formal end of the state of hostility across the Taiwan Strait … work together for reaching a peace accord and establish a framework for peaceful and steady development of cross-strait relations, including a mechanism of military mutual trust, in order to avoid military conflicts between the two sides of the Straits." The two sides were said to have reached a consensus of a wide range of issues, including adherence to the "1992 Consensus" and opposition to Taiwan independence. A specific priority agreed by the two sides was the need for discussion of Taiwan's participation in the World Health Organization (XHNA, 29 Apr.; for Taiwanese comment, see CNA, 29 Apr.).

The last leg of his journey took Lien Chan to Shanghai, where he held talks with Chen Liangyu, Secretary of the CCP Shanghai municipal committee and a member of the CCP's Political Bureau. Lien Chan had last been in Shanghai 60 years previously, when he was eight years old. Lien argued that cross-strait trade and economic relations were "at a crucial point," and he urged the Taiwanese business sector to take advantage of the opportunities presented by China's rapid development. He warned that "if Taiwan remains in a closed mentality, we are quite likely to suffer much negative impact." It was in the interests of both

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countries, he said, to "rely on, complement and benefit each other," and he called for the establishment by China and Taiwan of an economic co-operation mechanism in the form of a " 'common market' " (XHNA, 2 May; for details of Lien's press conference in Shanghai, see *RMRB* website, 4 May). On his way back from China to Taipei, Lien Chan and the KMT delegation stopped in Hong Kong, where they were greeted at the airport by Xing Kuishan (Assistant to the Director of the CCPCC's Taiwan Work Office) and Stephen Lam Sui-lung (HKSAR Government Secretary for Constitutional Affairs).

On 5 May, James Soong (Chairman of the People First Party (PFP)) began a nine-day visit to the Chinese Mainland. After visiting Nanjing, Soong travelled to Shanghai, where he met Chen Liangyu. Soong hoped that his visit would help promote dialogue and exchanges between the CCP and PFP, and contribute to the improvement and development of cross-straits relations, peace and stability. From Shanghai, Soong travelled to Changsha (provincial capital of Hunan) – his hometown – where he met Yang Zhengwu (Secretary of the Hunan CCP Provincial Committee).

In Beijing (12 May), Soong met Hu Jintao, who spoke of the significance of the PFP Chairman's visit. He called on both sides to fulfil their responsibility "to rejuvenate our great nation." Soong responded by reaffirming the PFPs adherence to the "1992 Consensus," its rejection of Taiwan independence and its advocacy of peace (China Central TV).

During his stay in Beijing, Soong also met Liu Qi (Secretary of the Beijing CCP Municipal Committee). It was reported that representatives of the CCP and PFP had agreed to promote the realization of two-way direct flights across the Taiwan Strait by 2006 (XHNA, 12 May).

United States of America

On 7 April, a spokesman for the Chinese Ministry of Commerce issued a protest against the US decision to conduct a "special restrictive measures investigation" of three categories of Chinese textile products (cotton trousers, cotton knit shirts and blouses, and cotton and man-made fibre underwear). The spokesman accused the US of acting in violation of relevant legal provisions on China's accession to the WTO. He called on the United States to co-operate with China in order to address the issue through dialogue within the existing bilateral framework (XHNA, 7 Apr.; see also *RMRB*, 8 Apr.; see also XHNA, 15 Apr.).

On 4 June US Secretary of Commerce, Carlos Gutierrez, held talks in Beijing with the Chinese Minister of Commerce (Bo Xilai). The main focus of their discussions was the textile trade issue, although they also exchanged views on the US trade deficit vis-à-vis China, protection of intellectual property rights and the forthcoming meeting of the China-US Joint Commission on Commerce and Trade. Bo Xilai recognized that in handling the textile trade question, both sides needed to take account of pressures from domestic political and public opinion. He pointed out, for example, that up to 19 million people were employed in China's textile

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industry, as well as tens of millions more in related industries. But he contested the fairness of American action in restricting Chinese textile products by reimposing import quotas on many kinds of apparel.

Vice-Premier Wu Yi also discussed the textile trade dispute with Gutierrez and US Trade Representative Rob Portman. She spoke of her government's concern and warned that failure to handle the dispute properly would threaten economic and trade co-operation between China and the US.

The information Office of the Ministry of Commerce later quoted Bo Xilai as saying that restrictions of Chinese textile goods would damage the US more than China and laying the blame for current problems in textile trade on America and European countries. Bo was also reported to have said that "imposing restrictions on Chinese textiles does not conform to the provisions in relevant WTO documents, runs counter to the trend of integration in textile trade and violates the principle of free trade which the United States itself advocates." The response of Gutierrez was to emphasize the "great political pressure" that was brought to bear on the US government as a result of the textile trade problem (XHNA, 5 June; see also *RMRB*, Overseas Edition, 6 June; and XHNA, 9 June, for a statement by Cao Xinyu (Vice-Chairman of the China Chamber of Commerce for Importers and Exporters of Textiles) to the effect that the US imposition of restrictions on seven categories of Chinese textile products would lead to US$2 billion of losses in Chinese textile industry and affect 400,000 Chinese textile workers).

Western and Southern Europe (Vatican, The Netherlands, France, Cyprus, Belgium; European Union (EU))

A brief Xinhua statement reported the death, on 2 April, of Pope John Paul II (XHNA, 2 Apr.). It noted that during the final days of the Pope's life, the Catholic Patriotic Association of China and the Chinese Catholic Bishops College had sent their good wishes for his health. The following day, the Catholic Patriotic Association of China and the Chinese Catholic Bishops College sent a telegram to Vatican, expressing their "deep condolence" in the wake of Pope John Paul's death. It stated

> It is very sorrowful to know that Pope John Paul II has passed away at the call of God, to rest in Lord for good. It would be a great loss for the pastoral and evangelical works of the Universal Church. We sincerely express our deep condolence, on behalf of more than 5 million clergies and faithfuls of the Catholic Church in China, and pray God grant him an eternal reward (XHNA, 3 Apr.).

Later, a Chinese Foreign Ministry spokesman spoke of the Chinese government's hope that under John Paul's successor, relations between China and Vatican would be improved. He added that the fulfilment of such hopes depended on the Vatican breaking off its diplomatic relations with Taiwan and giving an undertaking that it would not interfere in China's internal affairs – "including any intervention under the pretext of religious affairs." In June, a Hong Kong source reported that as part of its

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efforts to re-establish diplomatic ties with the Vatican, a working group of religious affairs would be established (SCMP, 15 June).

On 11 April, the Dutch Foreign Minister (Bernard Bot) travelled from Guangdong (Huizhou and Shenzhen) to Beijing for talks with Li Zhaoxing. Their discussions focused on bilateral relations. Agreement was reached to strengthen trade, and economic and social cooperation (notably, in agriculture, science, technology, education and public health). The two men expressed their governments' commitment to promote the long-term stable development of bilateral relations. Bot reaffirmed his government's adherence to the one-China policy. The Dutch Foreign Minister also met Vice-President Zeng Qinghong.

Later the same month, the French Prime Minister, Jean-Pierre Raffarin, arrived in Beijing for a three-day official visit to China. The two sides reached business deals worth €3 billion, including a commitment by China to purchase buy 30 Airbus aircraft (five A380, and 25 A320, models). Following their talks, which focused on bilateral relations, but also embraced international and other issues of common concern, Raffarin and Wen Jiabao attended a signing ceremony for 20 co-operative agreements in the fields of aviation, nuclear energy and agriculture.

Wen told Raffarin that his government was very satisfied with the rapid growth of trade between France and China, and was pleased that the two countries had consulted closely on key international and regional issues. He hoped that their relationship would evolve into a "comprehensive strategic partnership." Raffarin also contrasted the continuous and regular nature of current contacts between, the two countries' leaders with the irregular communications and exchanges of the past (XHNA, 21 Apr.).

On 8 May, the Cypriot Foreign Minister (Yeoryios Iakovou) arrived in Beijing on a four-day official visit to China, during which he held talks with Vice President Zeng Qinghong and Li Zhaoxing. The meeting between Iacovou and Zeng uncovered no conflict of interest, but acknowledged satisfactory progress on trade, economic and cultural co-operation (including new opportunities associated with Cyprus's membership of the European Union.

Later the same month, the Icelandic President, Olafur Ragnar Grimsson, travelled to Beijing to undertake his first state visit to China. During their meeting (17 May), Grimsson and Hu Jintao agreed to undertake preliminary feasibility research on the establishment of a free trade area. Hu also spoke of China's desire to strengthen trade and economic co-operation with Iceland, especially in finance, mutual investment, communications and telecommunications, and environmental protection (XHNA, 17 May).

King Albert II of Belgium arrived in Beijing on 4 June for the first state visit by a Belgian head of state for 24 years. The King arrived against the background of a rapid development in bilateral trade (reaching US$9.38 billion in 2004) and Belgian investment in China ($1.22 billion, 2004). When King Albert met Hu Jintao (6 June), the two men agreed to strengthen dialogue and exchanges in order to further promote bilateral relations. The two sides signed a number of documents, including some

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on economic and trade cooperation (XHNA, 6 June). King Albert also met Wen Jiabao.

In Beijing on 11 May, Wen Jiabao met the EU "Troika" foreign ministers (i.e. the Foreign Minister of Luxembourg (Jean Asselborn), EU External Relations Commissioner (Benita Ferrero-Waldner) and the British Foreign Secretary's representative, the British Ambassador to China (Christopher Hum). Against the background of the EU's measures to limit Chinese textiles and garments imports, he acknowledged the concerns felt within the EU. He reaffirmed the Chinese government's commitment to effecting textile integration and pointed out that it had recently raised export tariffs on some textiles, lowered the export tax rebate rate and implemented automatic export licensing administration. He called on both sides to seek to resolve the dispute, always keeping in mind the need to preserve and uphold the comprehensive strategic partnership between China and the EU (XHNA, 11 May). In a separate meeting with Asselborn, Wen expressed his satisfaction with the level of cooperative relations between China and the EU. He hoped that such cooperation would be strengthened. Later, Kyodo quoted a EU spokeswoman to the effect that Wen had given an undertaking to introduce measures within one month in order to control textile exports to the EU. On 20 May, it was announced that as of 1 June 2005, export tariffs on 74 categories of textile products would be raised – in the case of most goods by 400 per cent (XHNA, 20 May). (See also XHNA, 14 May, for the joint statement of the Sino-EU High-Level Forum on Scientific and Technological Strategy).

In Shanghai on 10 June, the Minister of Commerce (Bo Xilai) and EU Trade Commissioner (Peter Mandelson) began discussions in an attempt to find a solution to the textile trade dispute. The same day, it was announced in Brussels that the two sides had reached agreement on managing the growth of Chinese textile exports to the EU until the end of 2008. By the terms of the agreement, the EU undertook to stop investigations into ten categories of textile products from China. They also agreed that from 11 June 2005 to the end of 2007, the annual growth of textile exports to the EU would rise from 8 per cent to 12.5 per cent (XHNA, 10 and 11 June.)

(c) International Meetings (United Nations (UN); Asia-Africa Summit; Boao Forum for Asia (BFA); Asia-Europe Meeting (ASEM))

In a speech to the United Nations General Assembly (UNGA), the Chinese Ambassador to the UN (Wang Guangya) expressed his government's support for the reform of the Security Council, but objected to Secretary-General Kofi Annan's proposal to set a timetable for the process in order to reach a decision before the September meeting of the UNGA. Wang stressed the importance of the reforms and said that they should be formulated on the basis of "democratic, in-depth discussions, patient consultations and a deliberate, orderly procedure" – an approach that was inconsistent with the establishment of an "artificial" time-limit.

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He also urged that the priority in formulating reform proposals should be to increase the representation of developing countries on the Security Council (XHNA, 6 Apr.).

In April, President Hu Jintao travelled to Jakarta to attend the Asia-Africa Summit. In a speech to the summit (21 April), Hu spoke of the "severe" challenge facing Asian and African countries as a result of heightened economic and technological competition resulting from economic globalization. But he also drew attention to the "rare" opportunities from the same source to "tap their advantages and take an active part in international division of labour and co-operation so as to realize their own development goals." In order to fulfil this potential, it was incumbent on Asia and Africa to make the best use of the resources in which each relevant country excelled, to intensify "mutually beneficial cooperation," and to work together to establish an "international development environment featuring win-win cooperation." Hu was unequivocal in rejecting an isolationist stance by China in pursuit of development and in committing the Chinese government to developing a "new type of strategic partnership between Asia and Africa" (XHNA, 21 Apr.).

During his visit to Jakarta, Hu held talks with the President of Pakistan, Pervez Musharraf, during which he spoke of the Chinese government's willingness to work towards the development of an even closer "strategic and cooperative partnership." He also had separate meetings with the King of Nepal, the Presidents of Algeria, Ghana, Sudan and Tajikistan, the Prime Minister of Singapore, the Chairman of the State Peace and Development Council of Myanmar, the Secretary-General of the UN, Kofi Annan, and other senior government officials from various countries. His most significant meeting was, however, with Premier Koizumi of Japan (see above under 'Japan'). Also in Jakarta, following talks between the Secretary-General of the Shanghai Cooperation Organization (SCO), Zhang Deguang, and his ASEAN counterpart (Ong Keng Yong), the two sides signed a memorandum of understanding between the Secretariats of SCO and ASEAN, committing themselves strengthening regional peace and stability, and undertaking co-operation in the fields of economy, transport, culture, and tourism.

On 23 April, the annual conference of the Boao Forum for Asia (BFA) opened in Boao (Hainan). Jia Qinglin delivered a keynote address, in which he stressed the importance of pan-Asian development and co-operation. He insisted that conditions favoured the pursuit of regional development, but also acknowledged the persistence of major problems (e.g., the legacy of disputes and conflicts among Asian countries, security threats, environmental challenges and widening economic differentials). Hence, the imperative of joining together to maintain peace and stability on the basis of respect for the diversity of the region, and promote common development. Jia highlighted the role of trade and economic cooperation as the means of regional integration (XHNA, 23 Apr.).

On 26 June Premier Wen Jiabao delivered a speech at the opening ceremony of the Sixth Asia-Europe Meeting (ASEM) Finance Ministers' Meeting (FMM), held in Tianjin. He reviewed the progress made within

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ASEM since its first meeting in 1996 and spoke of the opportunities offered by an institutional framework that brought together countries in Asia ("by far the most dynamic economy in the world") and in the EU ("the world's largest developed economy"). He spoke of the economic co-operation that was the foundation of the "new ASEM comprehensive partnership," drawing particular attention to fiscal and financial co-operation between ASEM members. He hoped that such co-operation would be strengthened in the future. To this end, he called for more dialogue and closer coordination on macroeconomic policies, increased exchanges on member states' development experiences, even stronger co-operation in fiscal and financial activities, intensified technical assistance and "financial capacity building," and the promotion of "an environment for win-win international economic co-operation" (full text in XHNA, 26 June).

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