Quarterly Chronicle and Documentation

(October–December 2001)

Sources

The principal sources of information on which this chronicle is based are British Broadcasting Corporation, *Monitoring Global Newsline – Asia–Pacific Political* and British Broadcasting Corporation, *Monitoring Global Newsline – Asia–Pacific Economic*. These sources are only available online and replace the former BBC *Summary of World Broadcasts* (*SWB*), which were previously available in hard copy. The current online versions no longer have reference numbers (as did each issue of *SWB*), and are only identifiable by date of publication of material. The inclusion of each of these dates would unnecessarily clutter the text and such dates have been omitted, except for the sources from which the BBC reports themselves are taken.

Abbreviations

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

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1. Internal Developments

(a) *The 24th and 25th Sessions of the Ninth NPC Standing Committee*

The 24th meeting of the the Ninth NPC Standing Committee opened in Beijing on 22 October. Delegates examined a draft law on government purchases, as well as a revised law on cultural relics protection. Consideration was also given to a draft law on electing delegates to the 10th NPC in the Hong Kong and Macau Special Administrative Regions (SARs) (XHNA, 22 October).

On 26 October, Zhang Zuoji (Minister of Labour and Social Security) delivered a report on China's social security system. He claimed that recent years had seen significant improvements, including the provision of a "living guarantee system" for laid-off workers from SOEs, and the institution of unemployment insurance and minimum living guarantee systems for urban residents. Improvements had also been made in extending and enhancing old age and medical insurance (XHNA, 26 October).

Dai Xianglong (Governor of the People's Bank of China) reported to delegates on the impact of monetary policies in recent years. He spoke of their effectiveness in stimulating economic growth and combating inflationary and, more recently, deflationary pressures. Better financial supervision and management, and associated measures had also helped to reduce financial risks, equilibrate China's balance of international payments and maintain exchange rate stability. Dai noted that as of mid-October, China's foreign exchange reserves stood at US$200.05 billion (*ibid*).

In a report to delegates on the implementation of China's Agricultural Law, it was revealed that "conspicuous problems" still constrained agricultural and rural economic development. Among these were farm input shortages, investment inefficiency, lack of agricultural infrastructural facilities, and weaknesses in combating natural disasters. Nor was scientific and technological education in agriculture adequate to meet the particular needs of farm development. Structural readjustment, including farm industrialization, was also proceeding too slowly. Overall, farm incomes remained depressed and financial burdens on farmers' shoulders were excessive (*ibid*).

The 24th session of the NPC Standing Committee closed on 27 October. Delegates passed decisions on the amendment of five laws: the laws on copyrights (for details, see XHNA, 27 October); on trademarks (*ibid*. for full text); on the prevention and treatment of occupational diseases; on the use of maritime space; and on trade unions (for the full text of the Trade Union Law of the People's Republic of China, see XHNA, 27 November). They also endorsed a decision to submit to the parent NPC draft bills on electing delegates to the tenth NPC in the Hong Kong and Macau SARs, and on the date for the election of delegates to the next Chongqing Municipal People's Congress. The meeting also approved a State Council bill on joining the International Convention on Preventing the Explosion of Terrorism, and the more recent Shanghai Convention on Combating Terrorism, Splittism and Extremism (*ZXS*, 27

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October). Finally, authorization was given to the Harmonious Neighbourhood, Friendship and Co-operation Treaty between the PRC and Russian Federation, signed by Jiang Zemin on 16 July 2001 in Moscow (XHNA, 27 October).

At the closing session of the 25th NPC Standing Committee (29 December), delegates enacted important legislation on family planning and population. According to a new law to take effect on 1 September 2002, official policy would encourage couples to have a single child, but allow them to have a second child, if they met the relevant conditions and requirements (XHNA, 29 December).

The decision followed the submission by the NPC Law Committee (27 December) of proposals to amend the draft population and family planning law. These amendments sought to clarify existing relevant legislation and to "avoid misunderstanding that might lead to erratic family planning work." To these ends:

> The state shall stabilize the existing child-bearing policy, encourage citizens to practise late marriage and later births, and advocate one child per couple. The state shall allow those couples meeting the legal requirements to apply for permission to have a second child; the specific measures shall be enacted by the provincial, autonomous regional, or municipal people's congress or its standing committee. Ethnic minority people shall also practise family planning; the specific measures shall be enacted by the provincial, autonomous regional, or municipal people's congress or its standing committee.

The report noted that existing policies provided for couples who met relevant legal requirements to seek permission to have a second child. At present, all 31 provinces and other provincial-level units allowed couples to have a second child if their first child was born disabled and was not expected to work normally after growing up. Some 19 provinces also allowed rural couples to have a second child if their first child was a girl. These provisions were said to have been in force "for many years" (XHNA, 27 December).

(b) *Party and Political Affairs; Public and Social Order; Ideological and Legal Developments*

In further comment on the 15th Central Committee of the Chinese Communist Party (CCPCC), a Hong Kong source noted that despite official endorsement of Jiang Zemin's controversial statement on admitting entrepreneurs to the Party, Jiang had failed in his efforts to promote his protégé, Zeng Qinghong, to the CCPCC Politburo. The same source speculated that the extension of Party membership to the entrepreneurial class highlighted the attempt of Party leaders to "balance capitalistic reform with the fight to legitimatize their leadership" (*Hong Kong iMail,* 1 October).

Ding Guangen, Director of the CCP's Central Propaganda Department, made it clear that the priority propaganda task was to publicize and to encourage the study and implementation of Jiang Zemin's 1 July speech

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and the "spirit" of the subsequent Sixth Plenum of the 15th CCPCC. A Xinhua commentary stressed the importance of the Plenum's CCPCC Decision on Strengthening and Improving the Building of the Party Style, arguing that it offered an original and comprehensive analysis of the new conditions and tasks currently facing the Party. The document had highlighted the importance of ideological and organizational construction, showing how, through Party-building and reform, the CCP could fulfil the demands of reform and opening-up, whilst also accommodating the "progressive trend" of globalization. It warned, however, that failure to improve the Party's work style threatened to "erode the Party and harm the relationship between the Party and the masses and between the cadres and the masses" (XHNA, 2 October).

The full text of the Decision of the CCPCC on Strengthening and Improving the Building of the Party Style, was published on 7 October (see XHNA 7 October). In the context of maintaining the momentum of economic development and reform, it called on CCP members to uphold Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory and to follow the "three representations." In particular, it highlighted the following as core tasks that Party members must seek to fulfil in improving their work style:

- to follow the principle of "emancipating the mind and seeking truth from facts" in order to combat self-satisfaction and to find new ways of pursuing their work;
- to combine theory with practice, and avoid undue emphasis on book study;
- to stay in touch with the people, and combat "formalism … bureaucratism [and] hedonism;"
- to uphold the traditions of democratic centralism (the "fundamental organizational and leadership system of the Party"), including the avoidance of arbitrary, despotic and lazy behaviour;
- to abide by the Party's disciplinary rules (especially political discipline) in order to prevent "liberalism;"
- to pursue justice and honesty, whilst not abusing power in the interests of personal gain;
- to make official promotions on the basis of merit and ability, and to avoid unfair and corrupt appointments.

Xinhua noted that although CCP work style was generally sound, a number of problems still demanded urgent resolution. It cited the persistence among officials and institutions of "dogmatism … book worship … formalism … bureaucratism … deception … falseness … despotism … lax discipline … abuse of power for personal gain and hedonism." Failure to address such problems threatened relations between the Party and the people – and even the undermining of CCP legitimacy and authority. Strengthening and improving Party work style would facilitate development and modernization, and thereby elevate the CCP to "an unassailable position forever." (See also XHNA, 8 October, on the publication of a book, designed to assist Party members and cadres in

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their efforts to strengthen their understanding of the guidelines and "spirit" of the recent CCPCC Plenum.)

A commentary in *People's Daily* stressed that the key to the successful implementation of the guidelines of the recent CCPCC Plenum lay in the exemplary behaviour of Party leaders. Only by example from above could the major goals of the Plenum – improvements in Party conduct, administrative conduct and the social environment – be fulfilled. Jiang Zemin had repeatedly urged grassroots cadres to take their lead from senior officials and had argued that problems in Party work style reflected the unhealthy conduct of "leading institutions and leaders." Thus, it was incumbent on these "top leaders" to attend to the needs not only of their families, but also of their subordinates and work units – to "speak the truth, listen to truth, and encourage their subordinates to tell the truth" (*RMRB*, 11 October).

On 24 October, Xinhua reported that the CCPCC had issued a circular designed to strengthen "socialist ideological and moral building." The essence of the document was summed up as follows:

> all localities and departments must … fully understand the importance, arduousness, protracted nature, and urgency of strengthening citizens' moral building; give prominence to citizens' moral building; push forward the close integration of the rule of law and the practice of running the country with morals; and boost economic and social development in an all-round manner … (XHNA, 24 October).

On 18 November, Xinhua released the text of an "opinion" of the CCPCC and State Council on the need for better management of social order in China. The document acknowledged that despite some improvements during the previous decade, the domestic environment remained "complicated," with various factors threatening to undermine social stability. These included infiltration and sabotage by "hostile forces" and collusion by "ethnic separatists, religious extremists, and violent terrorists," as well as the disruptive activities of the "so-called 'Falun Gong' cult organization." In addition,

> [t]he situation of public security is grim in some localities, where underworld criminal gangs and evil forces of hooligans run amok; vicious criminal cases of explosion, murder, kidnapping, intentional poisoning of people, and abduction of women and children occur frequently; and multiple criminal cases involving theft and robbery show no sign of decreasing. In quite a few places, contradictions among the people are conspicuous; and incidents involving groups are on the rise. Meanwhile, as China faces a new situation arising from the continuous deepening of reform and opening up and accelerating development of the socialist market economy, the country is still not fully catching up in its work of legal system, ideological education, and public order. As a result, in some localities, grass-roots organizations are weak and lax; efforts on the mass prevention and control have been impeded; and measures for comprehensive management of public order have not been effectively implemented.

The document insisted that public security was a political, and a social issue. It followed that better "comprehensive management" of public order was a corollary of the campaign to inculcate Jiang Zemin's

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thinking on the "three representations." Hence the need for Party and government officials to strengthen leadership and prioritize the *political* responsibility associated with the maintenance of public security – a process whose main focus was "combining crackdown with prevention." To this end, special attention should be directed towards the following major tasks: the investigation and elimination of contradictions and disputes; the implementation of crime prevention; the maintenance of safety at grass-roots levels; better management of the floating population; more effective handling (including resettling and educating) of released prisoners; and enhanced legal and ethical training, especially among juvenile delinquents (XHNA, 18 November).

Meanwhile, it was confirmed on 25 November that small cities and towns in China (including some medium-sized cities) were undertaking a comprehensive reform of the household registration management system. The report also noted that the dual household management structure of registering residents either as agricultural or as non-agricultural status was beginning to break down.

It was revealed that of the two million Chinese who attempted suicide each year, some 250,000 succeeded – a ratio of 22 out of every 100,000 people in China's total population. This placed China's suicide rate above that of the USA, Canada and the UK, but below that of some East European countries. The evidence suggested that in China, suicide was more common among the rural population, females, the young and the old. In addition, against the background of findings that pointed to the existence of some 16 million Chinese suffering from serious mental disorders, a further 6 million from epilepsy, and 30 million children under the age of 17 suffering from psychological and behavioural problems, a 10-year plan was being formulated in order to improve mental health services. A particular target of the proposed measures would be suicidal rural females with access to pesticides (XHNA, 30 October).

In Beijing on 22 October, Li Jizhou (former Vice-Minister of Public Security) was sentenced to death with a two-year reprieve for dereliction of duty and accepting bribes worth US$500,000 and HK$30,000. He was deprived of political rights for life and all his personal properties were confiscated. Li was described as the "mastermind" behind the recent Xiamen smuggling case (XHNA, 22 October).

On 30 October, intermediate people's courts in Shantou and Jieyang cities (Guangdong) passed sentence, including capital punishment, on 20 criminal defendants and 7 units found guilty of producing false VAT invoices. Preliminary investigations pointed to tax fraud amounting to 32.3 billion *yuan*, making this case the biggest such case ever uncovered in China (*RMRB*, 1 November).

(c) *Economic Affairs*

A report from the Chinese Academy of Social Sciences, made public on 11 October, predicted that GDP growth during 2001 would be c.7.5 per cent – this figure, *ceteris paribus*, being roughly maintained at 7–8

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per cent in 2002 (but see also below). Fixed investment was expected to increase by 13.5 and 11.3 per cent respectively in the two years – if attained, among the most rapid rates of expansion since China's adoption of a pro-active fiscal policy in the late 1990s. Consumption would, the report suggested, play an increasingly important role in driving economic growth, with retail sales of consumer goods expected to grow by 10.4 per cent (2001) and 10 per cent (2002) (XHNA, 11 October).

Xinhua reported that January–September, GDP rose by 7.6 per cent. Sectoral rates of growth of value added in the same period were 2.5 per cent (agriculture), 9.3 per cent (manufacturing and construction), and 7 per cent (services) (all figures given in terms of constant prices). During January–August, the profits of industrial enterprises rose by 15.8 per cent, while losses by loss-making enterprises were estimated to be at about the same level as during the same period in 2000. Fixed investment rose by 15.8 per cent – but by 18.2 per cent in the state-owned sector, compared with only 9.1 per cent in collective and individual sectors. Also telling was the finding that investment in central and western China had increased by 21.1 per cent and 24.5 per cent, respectively – that is, 3.8 and 7.2 percentage points above the corresponding figure for coastal provinces.

China's merchandise trade reached US$376.4 billion in the first three-quarters of 2001 (a rise of 9 per cent year on year). The value of exports was US$195 billion (up 7 per cent), while that of imports increased by 11.2 per cent to reach US$181.4 billion. In consequence, China's trade surplus fell from US$19.2 to US$13.6 billion. During the same period, utilized foreign direct investment (FDI) rose by 20.7 per cent to US$32.2 billion.

Official statistics made available on 30 December revealed that in fact, GDP grew in 2001 by 7.3 per cent (down from 7.9 per cent at mid-year, and 8 per cent in 2000). With recessionary conditions in China's major export markets (the US, Western Europe and Japan), annual export growth fell sharply to about 5 per cent (*cf.* 27.8 per cent in 2000), resulting in a fall of over US$3 billion in China's trade surplus. Shi Guangsheng's best hope was for China merely to maintain net export growth in 2002.

To compensate for falling foreign demand, the Chinese government issued 150 billion *yuan* of treasury bonds in 2001 to promote construction, as well as pursuing other policies designed to expand investment and consumption. During January–November fixed investment rose by 16.3 per cent, helping industrial growth to reach 10 per cent during the same period. The inflation rate was below 0.7 per cent.

Looking ahead to 2002, Zeng Peiyan (Minister in charge of the State Development Planning Commission) said that construction of government-funded projects would begin earlier than usual in an effort to reinvigorate slowing investment. With continuing issues of treasury bonds, the central government's budget deficit would meanwhile rise to a "comparatively high" level, albeit one that still fell within the international safety limit. The registered urban unemployment rate was ex-

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pected to rise from the current 4 per cent to 4.5 per cent in 2002. Xinhua noted the IMF forecast of GDP growth of 6.8 per cent in 2002 (*cf.* the world average of 2.4 per cent) (XHNA, 30 December).

A *People's Daily* editorial reviewed the proceedings of the annual Central Economic Work Conference, held in Beijing in November. Despite the global economic slow-down and the serious impact of the events of 11 September, the commentary insisted that conditions remained broadly favourable. In a speech to the conference, Jiang Zemin reviewed economic work in 2001 and looked forward to the tasks for 2002. He spoke of China's continuing rapid and sustained economic development and of further progress in restructuring, promoting faster capital investment, increasing consumer demand, promoting foreign trade and overseas investment growth, improving fiscal balance, and accelerating development in western China (*RMRB*, 30 November).

In setting out general economic requirements for 2002, the conference stressed the close relationship between economic construction and following the guidelines of Jiang Zemin's 1 July speech as well as the "spirit" of the Fifth and Sixth Plenary Sessions of the 15th CCPCC (especially Jiang's "three representations"). Named priority tasks included the following:

- to promote policies designed to expand internal demand (including the implementation of a pro-active financial policy and "sure-footed" monetary policy);
- to continue to pursue agricultural restructuring and rural reform, and raise peasants' incomes;
- to promote strategic economic restructuring, with special attention directed to upgrading enterprise technology;
- to improve the institutional environment in order to accelerate growth and open up further to the outside world;
- to realize the potential offered by Chinese membership of the WTO in opening up the domestic economy to the outside world;
- to create more jobs and improve living standards (XHNA, 29 November; see also Zeng Peiyan in XHNA, 2 December).

A significant milestone was noted in the announcement that China's gross spending on research and development (R&D) had reached 89.6 billion *yuan* in 2000 – up 17.9 per cent above 1999 – or 1 per cent of national GDP. The breakdown of such spending was: basic research 4.67 billion *yuan* (5.2 per cent of total R&D expenditure); applied research 15.21 billion *yuan* (17.0 per cent of total R&D expenditure); and experimental development 69.72 billion *yuan* (77.8 per cent of total R&D expenditure).

Despite the advance signified by such figures, R&D spending in China, expressed as a proportion of GDP, was well below that of the USA, Japan, major West European countries, Russia and South Korea.

On 24 October, the Ministry of Agriculture called for more effort to help farmers solve their economic and welfare difficulties. Farm incomes remained depressed, especially in areas that had suffered poor harvests in 2001, and it was incumbent on local authorities to offer disaster-relief

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support and assist impoverished farmers. Farmers needed better and more timely information on agricultural technology and market trends. Tax reduction measures, where appropriate, were also needed, as were special efforts to prevent fund-raising and donation-collecting activities targeted at farming communities ("compulsory collection of taxes and delinquent payments from poverty stricken farmers are strictly prohibited"). Thus, local governments and cadres should intensify their monitoring of the scale of financial burdens placed on farmers (XHNA, 24 October).

Referring to the weak infrastructural base of farming, Wen Jiabao called for urgent measures to improve water conservation. He urged progress in five major areas: provision of adequate drinking water for rural inhabitants and livestock; increased construction of small-scale water resource projects to combat drought; promotion of water-saving measures in the farming sector; better soil and water conservation and ecological environmental improvements; and accelerated repair of faulty and dangerous reservoirs and water storage facilities destroyed by floods.

In a comment on state-owned enterprise (SOE) reform, Wu Jinglian (Senior Research Fellow at the State Council Development Research Centre) praised the contribution of China's "supply-side" policies towards the revitalization of SOEs and the prevention of recession. In particular, he spoke of progress towards separating government functions from enterprise management, as well as noting accelerated restructuring in oil, telecommunications, railway, power and other large SOEs. By these means, SOEs' monopolistic power had been destroyed, and efficiency and competitiveness enhanced. In 2000, SOEs and other enterprises with controlling shares held by the state had succeeded in transforming loss-making conditions into profitability, while in January–September 2001, profits had continuously risen (XHNA, 27 September).

Zeng Peiyan (Minister in charge of the State Planning Commission) described China's high-tech industry as the most vigorous sector in the national economy. He noted that 1996–2000, high-tech manufacturing had recorded an average growth of 21.2 per cent p.a. (11 per cent above national industrial growth in the same period). The corresponding figure for high-tech exports, whose share of total exports had risen from 8.4 to 14.9 per cent, was 38.4 per cent. Zeng observed that high-tech agriculture was also emerging, with over 400 new high-yielding, disease-resistant seed strains generating not only increased output of grain, cotton and other crops, but also good returns for their growers. Finally, high-tech services, using computer, Internet, multimedia, telecommunication, and software technologies, were also rapidly developing. Each year saw a doubling in the number of mobile phone subscribers, while information technology was also playing an increasingly important role in the provision of financial, commercial and educational services.

An official source revealed in October that leaders in Beijing's state-owned enterprises (SOEs) who had not received at least a junior college education were to be removed from their posts and replaced by others with university degrees. At the present time, the current average age of

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leading groups in Beijing's SOEs was about 46, with only 10.7 per cent of them having obtained masters degrees (XHNA, 9 October).

An article in *People's Daily* addressed the impact of energy shortages and increasing environmental pollution on China's economic and social development. It noted that under the impact of post-1978 reforms, significant progress had been made towards energy conservation: on the basis of 4–5 per cent annual growth in consumption of fossil fuels, GDP had expanded by 8–9 per cent p.a. Meanwhile, energy saving measures and reduced costs had generated improvements in enterprises' profitability and market competitiveness. Despite this, there remained insufficient understanding of the importance and urgency of energy conservation – a situation not helped by inadequate legislation, investment shortages and technological backwardness in conservation activities.

The article spoke of the symbiotic relationship between environmental protection and energy conservation. China's consumption of coal was unusually high, resulting in the annual discharge of almost 20 million tonnes of sulphur dioxide and contributing to widespread damage by acid rain (which affected 30 per cent of China's surface area), widespread urban air pollution and river pollution *(RMRB* web site, 5 November).

Vice-Premier Wen Jiabao revealed at a meeting of the China Council for International Co-operation on Environment and Development that China had set new targets for ecological construction and environmental protection in the Tenth Five-Year Plan period (2001–2005). These included an increase in forest cover to 18.2 per cent, a rise in the green land area of urban districts to 35 per cent, and bringing the worst manifestations of ecological damage to a halt. Wen also drew attention to the urgent need to accelerate infrastructural environmental protection measures and enhance ecological construction and protection (XHNA, 13 October). Elsewhere, it was reported that while 94 per cent of the urban drinking water supplies met basic hygienic requirements, the corresponding figure in rural areas was only 39 per cent. (For a report on the official approval of China's massive-scale south-to-north water diversion plan, due to start as early as 2002, see XHNA, 24 November.)

It was reported that exports of coal were likely to reach a record 85 million tonnes in 2001 – some 31 per cent more than in 2000. The improvement was attributed to a major increase in exports to South Korea and Japan, as well as to improvements in coal quality. For the first time in many years, China's coal mining industry was expected to show a profit.

It was announced on 26 November that the Ministry of Finance had issued 20 billion *yuan* of registered treasury bonds to institutional investors through the inter-bank securities market. The bonds were five-year bonds and carried an annual interest rate of 2.86 per cent p.a. The following month, the same ministry issued three-year treasury bonds valued at 26.353 billion *yuan*, with a fixed annual interest rate of 2.51 per cent.

Xinhua reported that a medium-sized "garden" city for some 500,000

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people was to be built outside Shanghai in Songjiang district. The first of its kind in Shanghai, it would offer accommodation and work facilities, and be designed to avoid the problems facing many big Chinese cities. During January–August 2001, Songjiang had received US$710 million – much of it for real estate and industrial development – making it the largest recipient of such capital flows of all suburban districts and counties. The population of the new city would consist of resettled residents from rural areas, downtown Shanghai and others from outside Shanghai.

Xinhua revealed that the Ministry of Labour and Social Security would try to find new jobs for 8 million workers in 2002 in order to limit the national unemployment rate to about 4.5 per cent. Preferential policies (q.v.) would help in fulfilling this goal (XHNA, 12 December; on unemployment, including projections for 2002, see Hong Kong, *Ta-kung pao* (*Dagong bao*), 25 December).

Recent survey data suggested that with 120.6 million mobile phone users, China had replaced the US as the country with the world's largest number of such users in the world. Registered net surfers meanwhile had reached in excess of 26 million. The buoyancy of such markets was also reflected in a report (7 October) that during the previous six months, the sales volume of IT products in China had reached 356.1 billion *yuan* (a year-on-year rise of 28.3 per cent) (XHNA, 7 October).

On 15 October, the State Council Information Office published a white paper on poverty reduction in rural China ("The development-oriented poverty reduction programme for rural China," full text in XHNA, 15 October). It pointed out that major progress in rural poverty reduction had been achieved since 1949 – and especially under the impact of post-1978 reforms (between 1978 and 2000, the number of rural poverty-stricken people lacking sufficient food and clothing had fallen from 250 million to 30 million – i.e. from 31 to around 3 per cent of the rural population). Further, the strategic aim of ensuring that all poverty-stricken rural inhabitants should have enough to eat and wear by the end of the 20th century had basically been realized (but on the need for improved living standards, see also *Renmin ribao,* 18 November).

Such progress notwithstanding, China remained a developing country and underdevelopment in rural areas still posed serious problems and challenges. These included physical infrastructural deficiencies, especially in western regions, where poverty was concentrated; continued demographic pressures, including rapid population growth and low levels of education, public health and other basic social services in poverty-stricken areas; poor agricultural production conditions; and inadequate revenue and public funding.

In order to accelerate poverty relief in western China, more highly-developed provinces and municipalities in the east were now offering support to the development of their western counterparts. Axes had been established between Beijing and Inner Mongolia, Tianjin and Gansu, Shanghai and Yunnan, Guangdong and Guangxi, Jiangsu and Shaanxi, Zhejiang and Sichuan, Shandong and Xinjiang, Liaoning and Qinghai,

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Fujian and Ningxia, and Dalian, Qingdao, Shenzhen and Ningbo (as 'donor' cities) and Guizhou. Such co-operation sought especially to improve production and ecological environmental conditions, as well as helping to solve food and clothing shortages. It also embraced the extension of modern science and technology.

In areas of extreme poverty, the government had encouraged poor peasants to leave their homes and move to regions with more favourable conditions – such migration being guided by the principles of "migration by free will, resettlement in the nearest possible areas, acting within the limit of resources, and the provision of appropriate subsidies." Government subsidies were available to assist poor migrating households. According to the white paper, with some 2.6 million having already been resettled, the balance of potential migrants was now about 5 million.

The principal foci of poverty alleviation work until 2010 would be as follows:

- to emphasize crop cultivation, aquaculture and poultry raising, with the aim of facilitating the development of income-enhancing speciality and competitive products;
- to promote the industrialization of farming through the integration of trade, industry and agriculture, and the co-ordination of production, supply and sales;
- to raise budgetary funding and lending for poverty alleviation, and to enhance basic production and living conditions in poverty-stricken regions;
- to improve educational standards in poverty-stricken areas and enhance people's access to up-to-date science and techniques;
- to encourage diversified ownership forms in the interests of accelerating economic development;
- to mobilize national social support, as well as international exchanges and co-operation for poverty alleviation.

On 12 October, it was announced that with the permission of the China Insurance Regulatory Commission, four insurance firms had established a strategic co-operative alliance – the first of its kind in the Chinese insurance industry – in order to enhance competitiveness in the wake of China's admission to the WTO. The four firms were based in Shanghai, Xi'an, Shenzhen and Urumqi. With assets of 2 billion *yuan* and an annual revenue turnover of 1.5 billion *yuan*, their business was conducted in 20 provincial-level units. Future co-operation would embrace insurance services, business administration, and personnel and technological exchanges (on promised improvements in foreign insurance firms' market accession following Chinese WTO accession, see XHNA, 22 November; and on opening up the pharmaceutical market to foreign investors by 2003, see *iMail* web site, 27 November).

On 6 November, a Chinese government delegation under Long Yongtu (Chief Negotiator on behalf of MOFTEC) arrived in Doha (Qatar) to attend the fourth WTO Ministerial Conference. On 10 November, a ministerial meeting examined and approved – by consensus rather than a

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formal vote – the decision on China's accession to the WTO. The following day, Shi Guangsheng, in his capacity as leader of the Chinese government delegation, signed the relevant protocol.

In his post-accession speech, Shi referred to some of the difficulties associated with the previous 15 years of negotiations on Chinese entry into the WTO (originally GATT). He said that China's membership would benefit all WTO members and facilitate the development of a genuinely multilateral trading system. He undertook that once in the WTO, China would "on the basis that its privileges are commensurate with its obligations and while enjoying its privileges, abide by WTO regulations and fulfil its commitments." Jiang Zemin echoed these comments in a statement that spoke of China's intention to "strike a carefully-thought-out balance between honouring its commitments and enjoying its rights" (XHNA, 10–11 November. For a variety of domestic assessments of the impact of Chinese WTO accession, see *RMRB*, editorial, 11 November; also XHNA and *ZXS*, 11 November; and for details of how to access English versions of the three legal documents concerning Chinese accession – viz. PRC Decision on Accessing to the WTO, the PRC WTO Accession Protocol, and Report of the PRC Working Group for WTO Accession – see XHNA, 10 December and www.moftec.gov.cn).

On 11 December, China officially entered the WTO – the 143rd member of the world trading body – after WTO Director-General, Michael Kenneth Moore, had notified all members that the Chinese government had accepted a protocol on its entry to the WTO. The protocol took immediate effect. Xinhua stated that China intended fully to participate in all WTO activities, and would send a delegation and ambassador to the WTO headquarters in Geneva, Switzerland (XHNA, 10 December). In Geneva on 19 December, Long Yongtu and five other Chinese government representatives attended a meeting of the WTO Council for the first time as a full member. (Also in Doha on 12 November, a representative of the government in Taipei signed the protocol of Taiwan's entry into the WTO under the name of "Taiwan, Penghu, Jinmen, Mazu Separate Customs Territory.")

Chinese coastal regions have benefited disproportionately from inflows of foreign investment for many years. It was revealed that in Pudong (Shanghai), foreign-funded enterprises were now contributing over half of GDP, gross revenue and total export earnings. As of the end of August, Pudong had approved over 7,000 overseas-funded projects, involving almost US$40 billion from some 70 countries and regions. Inflows of foreign capital into Pudong were still mainly directed towards manufacturing industries, although more than US$6 billion had also been used for trade, real estate and other tertiary activities. One third of all fixed investment – but 70 per cent for high-tech industries – in Pudong was now derived from such inflows (XHNA, 7 October).

The People's Bank of China reported that as of end-June, China's outstanding foreign debt was US$170.41 billion (US$112. 88 billion in medium and long-term debt, US$57.53 billion in short-term debt). Sover-

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eign debt borrowed by ministries under the State Council was US$49.69 billion; that borrowed by Chinese financial institutions, US$33.76 billion; that by foreign-funded enterprises, US$34.7 billion; that by domestic enterprises, US$11.6 billion; and that by leasing companies and other institutions, US$760 million (XHNA, 8 November).

Guo Shuqing (Vice-President of the People's Bank of China and Director of the State Administration of Foreign Exchange) reaffirmed China's commitment to moving "progressively, actively and prudently" towards full convertibility of the *renminbi*. He pointed to recent further progress in China's macroeconomic situation and, in particular, to, continuing "huge" increases in its foreign exchange reserves (which stood at US$200 billion in mid-October). Although acknowledging that in the wake of China's accession to the WTO, import growth was likely to accelerate, while that of exports slowed, he argued that as a destination for foreign investment, the national environment was likely to become even more attractive. In short, the prospects for China's post-WTO international balance of payments remained favourable (XHNA, 7 November).

In December, Xinhua reported the conclusion of an investigation into the biggest-ever tax fraud case in China since 1949, involving export rebate fraud valued at 32.3 billion *yuan* in Shantou City (Guangdong) (XHNA, 12 December).

(d) *Military Affairs*

In a comment on defence modernization, Xinhua (1 October) noted that in contrast to the early 1950s, when almost 70 per cent of China's armed forces were illiterate or semi-illiterate, there were now 26,000 holders of doctoral and master's degrees in the PLA. Further, almost three-quarters of officers in the armed forces had been educated to tertiary level or beyond. Such progress had contributed to accelerated defence modernization, facilitating the shift from a "manpower-intensive to a science and technology-intensive" army, in which high-tech branches had increasingly become the backbone of the PLA's combat strength.

(e) *Minorities (Xinjiang; Tibet)*

Amidst fears of attacks by Muslim separatists, Chinese troops were reported to be on full alert in Kashgar (Xinjiang) in the run-up to China's National Day celebrations (1 October). The object of high-security measures was the Uighur population, from which separatist guerrillas had reportedly been trained by Afghanistan's Taleban militia to fight China's occupation of the predominantly Muslim region of Xinjiang (Hong Kong, *South China Morning Post*, 1 October).

Abulahat Abdurixit (Chairman of the Xinjiang Uighur Autonomous Regional People's Government) acknowledged continuing activities by separatist minorities in Xinjiang, but reaffirmed the central government's

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determination to uphold the constitutional rights for peoples of *all* nationalities (*Ta-kung pao*, 2 October). In Xinjiang, central government funding – and 60 per cent of Xinjiang's local finance and 80 per cent of its infrastructural construction funding were provided by Beijing – had greatly benefited the population. Educational and training programmes had also enabled minority nationality cadres to take leading positions at all levels of the regional government. Meanwhile, freedom of religion was reflected in the existence of more than 23,000 mosques in Xinjiang and religious practice by 10 million minority people. (On minority problems in Xinjiang, see also *ZXS*, 10 October).

On 8 November, the State Council Information Office published a white paper, entitled "Tibet's march towards modernization." It noted significant economic progress in Tibet towards the development of a modern market economy, citing a doubling of GDP between 1995 and 2000 and the attainment of regional self-sufficiency in grain and edible oils. Living standards too had risen, with per capita milk and meat consumption higher than the national average. Access to health facilities had also improved and average life expectancy had increased from 36 years (1950s) to 67 years. Of all officials working in Tibet, 79.4 per cent were said to be native Tibetans (XHNA, 8 November; see also Guo Jinlong's report (Secretary of the Tibet Autonomous Regional CCP Committee), delivered to the Sixth Tibet Autonomous Regional CCP Congress on 10 December in XHNA, 10 December).

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

On 3 October, the Bank of China (Hong Kong) Ltd began its operations following restructuring of the 12 Hong Kong-based banks of the former Bank of China Group (Hong Kong). Xinhua (3 October) stated that the reorganized structure would enhance the Bank's competitiveness through reduced operational costs and other improvements. As a result of the mergers, BOC (HK) was now Hong Kong's second-largest banking group, with total assets of HK$820 billion.

On 10 October, Tung Chee-hwa (HKSAR Chief Executive) delivered his fifth annual policy address ("Building on our strengths and investing in our future") to the Legislative Council. Its main goal was to build what Tung described as a "more civil, affluent, stable, democratic Hong Kong that is full of vitality." He announced the establishment, in Guangzhou in 2002, of an economic and trade office, designed to enhance business ties between Hong Kong and Guangdong and strengthen support for the activities of Hong Kong entrepreneurs in the Zhu (Pearl) River Delta. The initiative was a recognition of both Hong Kong's economic dependence on the mainland and the special importance, not least following China's accession to the World Trade Organization, of its economic involvement in the neighbouring Zhu River Delta.

Noting that the Hong Kong economy had already reconstructed itself several times – "from an ordinary entrepôt, to a base for light manufacturing … into … a renowned financial, trading and services centre" – Tung

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called for yet one more reinvention of its economic identity. This time the looked-for transformation would be more difficult, necessitating foresight in anticipating the kinds of shifts towards high value-added activities needed to minimize the increasingly high costs of operating in HKSAR. Inherent in such structural changes was the continuing high priority of education. Since 1996–97, educational investment in education had risen from HK$37.9 to HK$55.3 billion – a rise of 46 per cent in five years. Tung reaffirmed the core role of enhanced education in Hong Kong, calling for further improvements in the educational standards of primary and secondary schools, an increase in the number of post-secondary places, and the encouragement of life-long learning. Starting in 2002, a further objective was to employ native English-speaking teachers or teaching assistants in every primary school.

In his report, Tung Chee-hwa unveiled a programme of infrastructural construction worth HK$600 billion, designed to help Hong Kong overcome what he described as the most acute economic situation for many years. He warned the Hong Kong people to be prepared for extended economic hardship. At the same time, he promised relief for ratepayers and those paying tax on housing loan interest, and announced plans to create 30,000 new jobs in areas such as recreational and cultural facilities, education and housing estate management.

In November, a HKSAR government source published another revised estimate of projected GDP growth for 2001 to zero (from 1 per cent, as suggested in August – this itself being a substantial revision of the original 3 per cent estimate). The revised figures took into account a 0.3 per cent decline in the third quarter and anticipated negative growth of 2.5 per cent growth in the final quarter of 2001. The official source acknowledged that such conditions could technically be interpreted as showing that Hong Kong was now in recession (Hong Kong, *RTHK*, 30 November).

Meanwhile, the HKSAR Financial Secretary (Antony Leung) warned that because of an expected sharp fall in government revenue, Hong Kong would face a record budget deficit during the current financial year. The previous largest deficit in the past 20 years was US$23 billion in 1998–99 (Hong Kong, *RTHK*, 12 October). And indeed, on 31 October, it was announced that in the first half of the financial year (April–October 2001), the government had recorded a deficit of HK$60.7 billion. Fiscal reserves were meanwhile estimated to be HK$369.5 billion (XHNA, 31 October).

On 13 December, Tung Chee-hwa announced his candidacy for re-election as HKSAR Chief Executive (see XHNA, 13 December for the text of his re-election speech). The same day, speaking in Rangoon, Jiang Zemin was quoted as expressing his belief that Tung Chee-hwa would be re-elected as Chief Executive of HKSAR (*ZXS*, 13 December; and see Jiang's praise for Tung's performance as HKSAR Chief Executive during a meeting with Tung in Beijing, XHNA, 19 December).

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(g) *Obituary*

A Xinhua announcement reported the death, in Hawai'i on 14 October, of Zhang Xueliang [Chang Hsueh-liang], aged 101. In a message of condolence to Zhang's family, Jiang Zemin described the former general as a "great Chinese patriot," who had made a major contribution to "ending the 10-year (1927–1937) Civil War, helping realize the second co-operation between the Kuomintang and the CCP, and making the whole nation take part in the war of resistance against Japanese aggression."

Zhang Xueliang's principal claim to fame was his central role in kidnapping Chiang Kai-shek in 1936 and in subsequently encouraging him, on behalf of the Kuomintang government, to sign an agreement with the CCP to take joint action against Japanese aggression in China.

2. Foreign Relations

(a) *Diplomatic Tours*

Following his arrival in Moscow (27 October), Vice-President Hu Jintao (considered to be Jiang Zemin's heir apparent) met the Russian President, Vladimir Putin, with whom he discussed bilateral and other issues. Putin noted that bilateral relations were progressing well in terms of both political and military-technical co-operation. Both men reiterated their shared belief that the 1972 Anti-Ballistic Missile (ABM) Treaty remained a cornerstone of efforts to strengthen global strategic stability (Moscow, ITAR-TASS, 27 October; also see XHNA, 27 October). Hu also had separate meetings with Premier Mikhail Kasyanov, and Deputy-Premier Ilya Klebanov, with both of whom he exchanged views on bilateral relations (including the development of economic and trade relations).

On 28 October, Hu arrived in London, where he held talks with the British Prime Minister, Tony Blair, on ways of enhancing bilateral relations and on international issues of mutual concern. Blair spoke of the strong co-operative ties that existed between China and the UK. Hu echoed these sentiments, noting recent increases in bilateral trade (totalling US$9.9 billion in 1999 and US$7.6 billion during January–September 2001) and in UK investment in China, but urged even greater British involvement in China's economic construction. In the face of "complex and profound" changes in the world situation, he hoped that the two countries would strengthen their co-operation in promoting global peace and stability (XHNA, 29 September). Subsequently, Hu met the British Deputy Prime Minister, John Prescott, and also had an audience with Queen Elizabeth II.

Hu travelled from London to Lyon, where, in a written speech, he spoke with satisfaction of the progress towards closer relations made by China and France in recent years. Subsequently, he arrived in Paris, where he held talks with President Jacques Chirac, Premier Lionel Jospin, and other government officials.

The French Foreign Minister (Hubert Vedrine) noted that France and

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China shared common positions on a wide variety of international issues, including the crisis in Afghanistan. He urged the two countries to co-operate in fighting terrorism and finding a political solution to the current crisis. In his discussions with Hu Jintao, President Chirac similarly called for "international cohesion." The Chinese Vice-President stressed the convergence of the views of the Chinese and French governments (Paris, AFP, 5 November).

In a meeting with the French Prime Minister, Lionel Jospin (6 November), Hu conveyed greetings from Zhu Rongji and referred to the satisfactory level of bilateral relations (not least in terms of trade, educational, scientific and technological co-operation). Jospin reaffirmed the importance which his government attached to the development of a "comprehensive relationship" with China (XHNA, 6 November).

From Paris, Hu Jintao travelled to Madrid, where he held talks with the Spanish Prime Minister, Jose Maria Aznar, focusing on bilateral relations and international issues of common concern. Hu also met King Juan Carlos I.

The final leg of Hu's tour took him to Berlin, where he held discussions with Chancellor Gerhard Schroeder on bilateral relations, anti-terrorism, and other issues of common concern. They reached a broad consensus in what was described as a "sincere and friendly atmosphere." Hu also met President Johannes Rau and the President of the German Federal Parliament (Wolfgang Thierse).

Between 31 October and 17 November, Li Peng (Chairman of the NPC Standing Committee) undertook visits to Algeria, Cuba, Argentina, Uruguay and Tunisia. In December, the Chinese Foreign Minister (Tang Jiaxuan) made a tour of the Middle East, during which he held talks with senior officials in Lebanon, Syria, Jordan and Egypt.

(b) *Countries, Territories and Regions*

Afghanistan

It was reported from a source in Peshawar that the size of a People's Liberation Army (PLA) garrison stationed near Tashkurgan in Xinjiang (the last official Chinese customs and immigration post on the border with Pakistan) had increased more than twofold to some 4,000 troops. Against the background of tension along the nearby Afghan border, the garrison was said to be on high alert and conducting daily military exercises. However, the most dramatic reflection of increased tension was the closure, in the wake of US military strikes in Afghanistan and for "safety considerations," of the Chinese–Afghan border of 9 October. A notice would be issued in due course announcing when the border would be re-opened (Hong Kong, *Metro Broadcast Radio*, 9 October)

Asked to comment on US military strikes against targets in Afghanistan, a Chinese Foreign Ministry spokesman reiterated that while the Chinese government opposed terrorism in any form and supported the relevant resolutions passed by the UN General Assembly and the Security

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Council, it also hoped that the targets had been carefully chosen by the US in order to minimize "collateral" damage against innocent civilians (*RMRB*, 8 October).

On 22 November, a Chinese Foreign Ministry spokeswoman stated that China wished to participate in the rebuilding of Afghanistan as soon as peace and stability had been restored. The following month, Xinhua reported the arrival in Kabul of a group of Chinese diplomats. Their arrival at the Chinese embassy on 20 December in Kabul was the first formal Chinese diplomatic presence in the Aghan capital since the closure of the embassy in 1993 for security reasons (XHNA, 20 December). The diplomats later held talks with Foreign Minister Abdollah Abdoullah. Meanwhile, the Chinese government announced that it would provide humanitarian aid worth 30 million *yuan* to the interim government of Afghanistan. On 22 December, the Chinese government sent a message of congratulations to the Afghan Prime Minister (Hamid Karzai), following his swearing-in and the establishment of Afghanistan's interim government.

Africa (Lesotho, Côte d'Ivoire, Democratic Republic of Congo, South Africa)

During the first week of December, senior officials from three African countries visited China. First, on 2 December, the Prime Minister of Lesotho (Bethuel Pakalitha Mosisili) arrived in Beijing for a six-day official visit to China. He held talks with Zhu Rongji and other senior government officials on bilateral relations and regional and international issues of common concern and the two sides signed agreements on economic and technical co-operation, and debt exemption. Next (4 December), Zhu Rongji met the visiting Foreign Minister of Côte d'Ivoire (Aboudrahamane Sangare), while two days later, the Chinese Foreign Minister (Tang Jiaxuan) held talks with Leonard She Okitundu, Tang's counterpart in the Democratic Republic of Congo (DRC).

The following week (on 9 December), the President of South Africa, Thabo Mbeki, also travelled to Beijing to begin a state visit to China at the invitation of Jiang Zemin. Xinhua reported that Jiang and Mbeki would officially launch the China–South Africa Bi-National Commission, and preside over its first session (XHNA, 9 December). Jiang Zemin and Mbeki agreed on the need to strengthen bilateral ties, and to enhance and broaden co-operation. During his visit, Mbeki also held separate meetings with Vice-President Hu Jintao, Li Peng and the Chinese Minister of Defence (Chi Haotian).

Commonwealth of Independent States (Russian Federation, Kyrgyzstan)

Following his arrival in Shanghai, where he would participate in the APEC CEO Summit meeting (see (c) below), the Russian President, Vladimir Putin, held talks with Jiang Zemin. The two men agreed to adopt a common stance on the struggle against international terrorism,

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both expressing the view that the military phase of operations in Afghanistan should be completed as soon as possible, in order to facilitate a political resolution under the aegis of the UN. In particular, any future government in Afghanistan should represent a broad range of national ethnic groups. On the broader issue of international stability, they reaffirmed their common view that the 1972 ABM Treaty was the cornerstone of strategic stability (Moscow, *Interfax*, 20 October).

On 22 November, Tang Jiaxuan held talks with the visiting Foreign Minister of the Kyrgyz Republic, Maratbek Imanaliev. The two men exchanged views on Sino-Kyrgyz relations, as well as regional and international issues of common concern. On the situation in Afghanistan, both agreed on the importance of fighting all forms of terrorism and of supporting the anti-terrorist actions of the international community. Later, the two sides issued a joint press communiqué, which called for the accelerated establishment of the legal base and operational mechanism of the Shanghai Co-operation Organization (SCO). It was reported that the two sides had agreed on joint efforts to press for the early formulation of the SCO Charter and establishment of Bishkek anti-terrorist institution.

Eastern Europe (Moldova, Kosova)

On 21 November, Jiang Zemin and Zhu Rongji held separate talks with the Moldovan Prime Minister, Vasile Tarlev. The foci of their discussions were bilateral and major international issues, including the international campaign against terrorism. During the prime ministerial meeting, the two sides were reported to have reached a broad consensus, not least on the need for further economic and trade co-operation. Zhu and Tarlev subsequently attended a ceremony at which the two countries signed documents on inter-government co-operation in viticulture, wine processing, and on co-operation between their justice ministries (XHNA, 20 November).

On 25 November, Ibrahim Rugova (leader of the [Albanian] Democratic League of Kosova [LDK]) arrived in Beijing for talks with Chinese officials (Beta News Agency, Belgrade, 25 November).

Japan

A major event was a one-day working visit to China on 8 October by the Japanese Prime Minister, Junichiro Koizumi. Its goal was to ease bilateral tensions, caused by his earlier controversial visit to the Yasukuni War Shrine in Tokyo. Koizumi visited both the Marco Polo Bridge in Beijing – the site of the military incident that had precipitated war between the two countries – and the Memorial Hall of the War of Resistance against Japanese Aggression, where he was the first Japanese Premier to lay a wreath in honour of Chinese who had died during the war against Japan. According to Xinhua, in the course of his visit to the hall, Koizumi wrote a message (transliterated as *zhong shu*) in the visitors book that was interpreted as expressing "sympathy … understanding and

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[seeking] forgiveness" for Japanese war actions (see also Kyodo, 8 October; also Kyodo, 12 October, which noted that China had interpreted Koizumi's "apology" as a sign he would make no further visits to the Yasukuni Shrine).

In Beijing, the Japanese Prime Minister held talks with his Chinese counterpart, Zhu Rongji. The latter spoke positively of Koizumi's efforts to improve bilateral relations (soured as a result of differences over how to treat Japan's wartime activities in China), and welcomed his visit earlier in the day to sites associated with the Sino-Japanese War. But he was at pains too to urge Koizumi to show prudence in expanding Japan's military role in support of the US-led anti-terrorism campaign. For his own part, Koizumi insisted that Japanese Self-Defence Forces were intended to be used for rear-area non-combat assistance in the form of medical services and other supplies to US strikes against the ruling Taleban.

Subsequently, Koizumi also met Jiang Zemin. The Chinese State President insisted once more that the manner in which the two sides addressed their shared history remained the "political basis" of their relationship. As he put it, "[i]t is necessary to take history as a mirror and keep the future in view." The two leaders also exchanged views on various issues of shared concern, including the forthcoming APEC meeting in Shanghai and the campaign against international terrorism.

During his visit to Shanghai to attend the APEC leaders' forum, Koizumi held another meeting with Jiang, during which both men agreed to accelerate negotiations in an effort to reach a resolution of their ongoing bilateral trade dispute over three farm imports from China – green onions, fresh mushrooms and tatami rushes – before 8 November (Kyodo, 21 October). In the event, this deadline passed without agreement having been reached, a Japanese official suggesting that the gap between the two sides remained wide. A new deadline of 21 December was set for a resolution of the disagreement (*RMRB*, web site, 8 November – see also Kyodo on the repeated failure to settle the trade row after meetings on 22 November).

On 10 December, Japanese trade and agricultural officials arrived in Beijing to continue negotiations with their Chinese counterparts in an effort to settle the dispute. In advance of the talks, the Japanese Minister of Agriculture, Forestry and Fisheries (Tsutomu Takebe) warned that the meeting offered the "very last chance" to find a solution and expressed the hope that the discussions would be "open and sincere." In the event, however, Kyodo reported that the talks had once more failed, raising the possibility that the dispute would be taken (whether by either or both sides) to the WTO (Kyodo, 11 December).

Later, it was revealed that minister-level talks, involving Takebe and Takeo Hiranuma (Minister of Economy, Trade and Industry), would take place in Tokyo on 19 December – a meeting that was again seen as the final chance to resolve the outstanding issues (Kyodo, 14 December). Before the meeting, however, the two Japanese ministers expressed their willingness to continue talks with Shi Guangsheng regardless of the

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outcome of the forthcoming discussions (Kyodo, 18 December). Yet again, the talks on 19 December failed to generate agreement, leaving the two sides to pin their hopes on a "last-ditch" ministerial meeting, scheduled to take place before the 21 December deadline, when Japan was expected to decide on whether to approve full four-year import curbs against China (Kyodo, 19 December). On 21 December, the two sides at last reached a three-point consensus on resolving the trade disputes. According to a memorandum of understanding, Japan undertook not to launch formal protection measures against the agricultural imports from China (XHNA, 21 December).

Kyodo reported that the Chinese Foreign Ministry had asked Japan about the possibility of a visit to China by Japanese Crown Prince Naruhito and his wife Crown Princess Masako in September 2002 in order to celebrate the 30th anniversary of the normalization of bilateral ties.

Latin America (Chile)

On 22 October, President Ricardo Lagos Escobar of Chile arrived in Beijing from Shanghai (where he had been participating in the APEC leaders' meeting) to undertake a three-day state visit to China. The following day he held talks with Jiang Zemin, during which the two men discussed and reached a broad consensus on bilateral relations and other issues of common concern. Jiang noted that Chile had become China's second-largest trade partner in Latin America, but insisted that there remained huge potential for bilateral economic co-operation and trade. Lagos echoed these remarks and expressed his own satisfaction with the co-ordination between the Rio Group and China. Jiang and Lagos also exchanged views on the current international situation, including the campaign against terrorism. They later attended a signing ceremony for bilateral co-operative documents relating to plant quarantine and agricultural science and technology (XHNA, 23 October). Lagos also held talks with Li Peng.

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

Following his arrival in Shanghai to attend the APEC CEO Summit (19 October), President Kim Dae-jung held talks with Jiang Zemin. Kim noted that 2002 was the tenth anniversary of the establishment of diplomatic relations between China and South Korea and spoke of the rapid progress in developing bilateral relations of the previous decade. Both men spoke of their wish for even stronger co-operation between the two countries. Jiang also praised Kim's efforts towards bringing about peaceful reunification on the Korean Peninsula (XHNA, 19 October).

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The Pacific (Vanuatu)

The Foreign Minister of Vanuatu, Jean-Alain Mahe, visited China between 17 and 22 December. He held talks with Tang Jiaxuan, who noted good progress in co-operation in political and economic fields in the 19 years since the two countries' established diplomatic relations. The two sides subsequently signed documents on economic and technological co-operation (XHNA, 17 December). Mahe also held talks with Vice-Premier Qian Qichen.

South Asia (India, Nepal, Pakistan)

An Indian source in New Delhi reported on 9 October that Zhu Rongji had postponed his visit to India, scheduled to take place during November, because of developments in the wake of the 11 September terrorist attacks in New York and Washington, D.C. (see also XHNA, 26 October). For the same reason, the Indian External Affairs Minister, Jaswant Singh, also decided to defer his forthcoming visit to Beijing, due to start on 11 October. It was agreed that both visits would be re-scheduled at the earliest opportunity.

In Beijing on 11 October, the Chinese Foreign Minister (Tang Jiaxuan) met his Nepalese counterpart (Narayan Shumsher Thapa), who had travelled to China in order to attend the fourth round of foreign ministerial talks. The two men discussed bilateral relations and the current situation in South Asia.

Elsewhere, it was reported that Tibetan trade with Nepal had risen sharply to about US$104 million, or about 95 per cent of the value of Tibet's total exports. The Tibetan regional government was also making strong efforts to encourage Nepalese businessmen to invest in projects in Tibet.

Against the background of rising border tensions between India and Pakistan, a Chinese Foreign Ministry spokeswoman spoke of her government's concern about the situation. China hoped that both sides would show restraint, she said, and that they would seek to resolve current problems through peaceful negotiations.

On 20 December, the President of Pakistan, Pervez Musharraf, arrived in Beijing to undertake a five-day state visit to China – his first such visit. Talks between Musharraf and Jiang Zemin focused on regional and global issues and demonstrated, according to Pakistani sources, a "complete unanimity" of views between the two sides. The leaders also discussed bilateral relations, and seven agreements were signed in the hope of further strengthening economic, scientific and technological co-operation. According to Xinhua, Jiang acknowledged the "extensive consensus" that existed in respect to both regional and international affairs. On behalf of the Chinese government, he also undertook to assist Pakistan in promoting economic development – for example, by providing Chinese companies with the necessary resources to invest in Pakistan and promote construction projects there (XHNA, 20 December). Mushar-

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raf also held separate discussions with Zhu Rongji, Hu Jintao, Li Peng and Chi Haotian.

South-East Asia (Singapore, Indonesia, Philippines, Vietnam, Burma [Myanmar])

During his attendance of the APEC CEO Summit in Shanghai, the Singaporean Premier (Goh Chok Tong) met Jiang Zemin, who spoke of China's willingness to strengthen co-operation with Singapore and other members of the Association of South-East Asian Nations (ASEAN) in the interests of development, stability and prosperity in the region. The two men also exchanged views on international and regional issues of common concern (XHNA, 19 October).

In Shanghai, Jiang also met the Indonesian President, Megawati Soekarnoputri. Ms. Megawati spoke with satisfaction of the good relations that now existed between China and Indonesia and hoped that they would develop to an even higher level – views that were echoed by the Chinese President. Megawati accepted an invitation to visit China in 2002 (XHNA, 19 October – and *ibid.* for reports on meetings between Jiang and the Thai and Vietnamese prime ministers, Thaksin Shinawatra and Phan Van Khai; for reports on his meetings with Sultan Haji Hassanal Bolkiah of Brunei and the Malaysian Premier (Datuk Seri Mahathir bin Mohamad), see Xinhua, 20 October).

Between 29 and 31 October, the President of the Philippines, Gloria Macapagal Arroyo, undertook her first state visit to China. The following day she met Jiang Zemin, with whom she discussed matters of common concern, including the South China Sea issue. On this, both sides agreed that existing difficulties should be solved by peaceful negotiations through the use of existing bilateral channels. They also agreed to strengthen co-operation in non-traditional security areas and in combating transnational crimes. The two presidents were reported to have exchanged views on other aspects of bilateral relations and issues of shared concern, and to have reached a consensus on a number of them.

In a separate meeting, Ms. Arroyo discussed prospects for further bilateral co-operation with Premier Zhu Rongji. She also met Li Peng. Later, representatives of China and the Philippines signed a treaty on extradition and seven other documents of co-operation.

During 7–11 November, Zhu Rongji undertook a five-day visit to Indonesia. In his talks with President Megawati Soekarnoputri, he called for accelerated mutually beneficial co-operation, as well as expressing China's continued support for Indonesian efforts to safeguard its territorial integrity, national unity and co-existence of its ethnic groups. He also called for more bilateral cultural and educational exchanges and co-operation in order to enhance common understanding and friendship between the peoples of both countries.

Following their talks, the two leaders took part in a signing ceremony, in which the two sides signed various accords, including an agreement on cultural co-operation and another on the avoidance of dual taxation and

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prevention of tax evasion. The two sides also signed four memoranda of understanding on encouraging more Chinese travellers to Indonesia, agricultural co-operation, the provision of free economic and technical assistance by China to Indonesia, and on the possibility of establishing a Bank of China branch in Jakarta (XHNA, 7 November).

On 30 November, Nong Duc Manh (General Secretary of the Vietnamese Communist Party Central Committee) arrived in Beijing for a five-day official goodwill visit to China. Out of his talks with Jiang Zemin emerged an "extensive and major" consensus on issues related to bilateral relations (including both men's determination to enhance economic and other ties). The two leaders later attended a signing ceremony for two agreements – one on economic and technological co-operation, and the other on the provision of a preferential loan to Vietnam (*ZXS*, 30 November). Nong Duc Manh also met Zhu Rongji, with whom he discussed prospects for stronger bilateral trade and economic co-operation (XHNA, 1 December; for the text of a joint statement on bilateral ties, see XHNA, 2 December).

In December, Jiang Zemin travelled to Burma (Myanmar) to undertake a four-day state visit (12–15 December). as the guest of Than Shwe, Chairman of the State Peace and Development Council of Myanmar. Tang Jiaxuan described the visit as "successful" and said that it marked a significant watershed in China–Myanmar ties. The visit was also expected to enhance Sino-ASEAN co-operation. During his visit, Jiang held talks with Than Shwe and other senior officials on bilateral relations and other issues of common concern. The two sides signed several co-operation agreements and spoke of their wish to strengthen co-operation in agriculture, human and natural resource development, and infrastructural construction (XHNA, 15 December).

Bilateral trade between China and Myanmar continued to grow in 2001, making China Myanmar's third-largest trade partner, after Singapore and Thailand. During January–October 2001, the value of bilateral trade was US$499 million (3.1 per cent up year on year). It was also reported that as of the end of 2000, 752 contract agreements, worth US$1.786 billion, had been signed between Chinese and Myanmar companies (XHNA, 12 December).

Taiwan [Republic of China]

On the occasion of the 90th anniversary of the 1911 Revolution, President Jiang Zemin made a speech, in which he reaffirmed the Chinese government's adherence to both the principle of one country, two systems and the eight-point proposal for developing cross-strait relations. He urged the government in Taiwan to accept the one China principle in the interests of the resumption of cross-strait talks and ultimate peaceful reunification. He also called on Taipei to open up the three direct links (trade, mail, and air and shipping services) across the Taiwan Strait (XHNA, 9 October; see also *RMRB* editorial, 9 October).

The Taiwanese Prime Minister, Chang Chun-hsiung, made clear his

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government's determination to have a presence at the informal leaders' summit of the Asia–Pacific Economic Co-operation (APEC) forum, scheduled to take place in Shanghai on 20–21 October. He reaffirmed President Chen Shui-bian's hope to attend the meeting in person, but added that if this were not possible, a representative would be chosen to take his place (CNA, 3 October; see also 8 October). Later, a Chinese Foreign Ministry spokesman in Beijing confirmed that the Taiwan delegation to the 13th ministerial meeting of the APEC forum in Shanghai would be headed by the Chairman of the Council for Economic Planning and Development, Chen Po-chih, and the Minister of Economic Affairs, Lin Hsin-yi (XHNA, 9 October). Later still, CNA quoted the ROC Minister of Foreign Affairs (Tien Hung-mao) to the effect that former Vice-President Li Yuan-zu had been chosen to represent President Chen Shui-bian at the APEC Summit in Shanghai on 20–21 October. But subsequent delays in securing official Chinese permission for Li to attend highlighted the difficulties that this choice entailed for Beijing. Indeed, on 14 October, a Chinese Foreign Ministry spokesman was explicit in urging Taipei to follow its previous tradition, observed in all eight former APEC summits, of sending a senior economic official, rather than a "high-profile political leader." In the face of Beijing's reported objection to Li Yuan-zu's presence, his departure from Taipei was postponed, prompting a Taiwanese journalist to ask Tang Jiaxuan why the former Vice-President had not been invited to Shanghai. The Chinese Foreign Minister replied that his government could not be held responsible for Taiwan's difficulties in finding a suitable candidate, but that there would have been no problem, had the Taiwan authorities sent a representative to the Shanghai APEC Summit in accordance with APEC's Memorandum of Understanding (as they had done so in the previous 10 years) (Hong Kong, *ZTS*, 18 October).

Having reached this impasse, it was no surprise when it was announced that Taipei had decided not to send a representative to the Shanghai Chief Executive Officers (CEO) Summit. A Chinese Foreign Ministry spokesperson in Beijing regretted the decision, repeating that China welcomed the participation of "Chinese Taipei" to participate in the Shanghai meeting. She added that APEC's relevant Memorandum of Understanding provided explicit provisions on Taiwan's participation in APEC CEO Summits, on the basis of which a procedure had emerged in previous meetings (XHNA, 19 October). By contrast, Taipei's reaction was to condemn Beijing's "gross breach of the protocol of the APEC forum," although the itinerary of Taiwanese officials who had participated in the earlier APEC ministerial-level meetings in Shanghai remained in place (for further details, see CNA, 19 October). In Taipei, Foreign Minister Tien Hung-mao stated that the reason for the absence of a Taiwanese representative at the CEO Summit was China's failure to send neither a formal invitation nor any special envoy to Taipei about the meeting, as required by the APEC protocol. Tien later insisted that the recent row would not affect Taiwan's participation in future APEC meetings

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On 8 October, W.Y. Pan (President of Taiwan's state-run Chinese Petroleum Corporation) travelled to Beijing for talks on the possibility of undertaking joint oil exploration with mainland China at Daqing Oil Field in Heilongjiang. If the negotiations proved positive, Taiwan would add China to its existing sources of crude oil imports. During his visit, Pan was also expected to sign a letter of intent for selling diesel oil to China National Petroleum Corporation, permission for such sales having already been given by the government in Taipei. Plans to conduct joint oil exploration in the Zhu River Delta meanwhile still awaited approval from the Mainland Affairs Council (CNA, 6 October).

CNA reported a forthcoming visit to Taipei – his first ever – by Deng Pufang (the eldest son of Deng Xiaoping) in order to attend the tournament series organized by the Far East and South Pacific Games Federation for the Disabled. Deng has been a prominent activist on behalf of the disabled.

In October, the ruling Democratic Progressive Party (DPP) announced that it had decided to replace what it considered the previous outmoded "no haste, be patient" policy on investment in mainland China with a more aggressive strategy of "active opening and efficient management." The change, which would result in the abandonment of previous restrictions on single investments worth more than NT$50 million, was prompted by the need to accommodate the new demands of the emerging world economic order (including Taiwan's impending admission to membership of the WTO). Following the passing of the required legislation by the Executive Yuan (7 November), the Chairperson of the Mainland Affairs Council (Tsai Ing-wen) stated that it was time to replace "negative containing moves" against investment in China with "active measures." Accordingly, the NT$50 million cap on individual Taiwanese investment in mainland China had been lifted, and the number of restricted production categories for investment reduced to 195. The new regime would allow investment to take place in over 7,000 product categories, including the production of notebook personal computers and six-inch silicon chips (CNA, 7 November; for a Chinese mainland comment, see *Renmin ribao* web site, 7 November).

It was reported from Taipei that the value of shipments to mainland China exceeded US$2 billion in August, accounting for a record 21.5 per cent of total exports. This was the first occasion on which the 20 per cent level had been exceeded, although in the wake of the two countries' accession to the WTO, it was expected to rise still further. By way of comparison, corresponding figures for earlier years were 9.1 per cent (1991), 16 per cent (1998) and 17 per cent (2000). Meanwhile, in August the value of Taiwanese imports from China was US$470 million – 2.9 per cent less than 12 months earlier (but *cf.* a fall of 6.4 per cent in imports during the entire January–August period). The outcome was to reduce Taiwan's bilateral trade surplus vis-à-vis China by 10 per cent to US$11.6 billion (CNA, 31 October). Towards the end of the quarter, however, it was reported from Taipei that cross-strait trade had regained its momentum in October, when exports to the mainland reached

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US$2.33 billion, and imports a single-month record of US$604 million (CNA, 27 December).

Elections to Taiwan's Legislature resulted in the DPP for the first time attaining a legislative majority (with 87 seats), followed by the Kuomintang (KMT, 68 seats), the People First Party (46 seats) and the Taiwan Solidarity Union (13 seats). The New Party suffered a major setback, winning just one seat. According to a CNA report, political observers in Beijing expressed surprise at the unprecedented replacement of the KMT by the DPP as the largest party in the Legislative Yuan (CNA, 1 December).

United States of America

Chinese and American foreign and finance ministers took advantage of their attendance at the APEC ministerial-level meeting in Shanghai to hold bilateral talks. On 17 October, Shi Guangsheng met US Trade Representative Robert Zoellick, while the following day, the Minister of Foreign Trade and Economic Co-operation (Shi Guangsheng) met the US Deputy Secretary of Commerce, Samuel W. Bodman.

By far the most important event during the quarter was, however, the summit meeting in Shanghai between the Chinese and American presidents (George Bush having travelled to Shanghai to attend the APEC CEO Summit Meeting). Their talks, which were described as "constructive and fruitful" took place on 19 October and embraced an "in-depth" exchange of views on bilateral relations, anti-terrorism, the pursuit of world peace and stability, and other major issues. Jiang reiterated the importance that China attached to the Sino-US relationship and repeated his hope that the two countries would develop a constructive, co-operative relationship. To this end, he urged the establishment of a mechanism to facilitate high-level strategic dialogue, whereby – whether directly or via envoys – the two leaders could communicate in a timely fashion and exchange views on major issues of common concern.

Jiang described the Taiwan question as the most sensitive issue in Sino-US relations. He spoke of "peaceful reunification" in accordance with the principle of one country, two systems as China's way of resolving the issue, expressing his hope that the US would endorse the one China principle and adhere to the three Sino-US joint communiqués.

Jiang also reaffirmed the Chinese government's support for the struggle against terrorism, but called for care in choosing terrorist targets for military strikes. He suggested that Beijing and Washington could put in place both medium and long-term mechanisms to help facilitate anti-terrorist measures. Bush echoed Jiang's remark in talking about the importance that the United States attached to its relations with China. He himself regarded China as a friend of the US and affirmed his own support for efforts to develop a constructive co-operative relationship with China. He also reaffirmed the US government's adherence to the one-China policy and Sino-US joint communiqués. He spoke of his pleasure that China would shortly join the WTO and congratulated

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China's success in being selected to host the 2008 Olympics. Finally, he expressed gratitude for China's swift and positive response to the terrorist attacks of 11 September and for its strong support of the American campaign against terrorism (XHNA, 19 October).

At a joint new conference following their discussions, Jiang noted the responsibility and interest that China and the United States shared in seeking to safeguard peace and security in the Asia–Pacific region – and throughout the world, as well as in promoting regional and global economic development and prosperity, and combating terrorism. He spoke positively of the talks that he had held with President Bush, revealing that out of their exchange had emerged a consensus on a number of important issues (including Sino-US relations, the fight against terrorism, and the need to promote global peace and stability). He acknowledged the differences that remained between the two countries, but insisted that they should be put aside in the greater interest of pursuing "long-term co-existence and common development" (XHNA, 19 October).

A Chinese Foreign Ministry spokesman spoke of the "extremely successful" meeting between Jiang and Bush, stating that it had taken place in a "a very good atmosphere." He noted that the two men had reached consensus on a range of major issues of common concern, and that both had expressed their determination to work towards the promotion of a constructive and co-operative relationship. It was also revealed that agreement had been reached to establish an anti-terrorism co-operative mechanism, as well as a high-level communication mechanism that would enable the presidents of the two countries (or designated representatives) directly to exchange views on major international issues (*ZTS*, 19 October).

In the wake of the Shanghai summit meeting, a comment in *People's Daily* suggested that Sino-US relations had established a broader and more stable foundation that would take ties to a new stage "notably different" from what they had been in the past. It found evidence for this in President Bush's "two new formulations" about bilateral relations. First, Bush had declared that "China is not enemy of the United States" – a statement that differed from his previous reference to China as a "strategic opponent" of the United States; secondly, reference had been made to Washington's determination to let "co-operation" drive the future development of ties between the two countries.

The events of 11 September had also drawn China and the United States closer together. In the aftermath of the terrorist attacks in New York and Washington, D.C., China had consistently endorsed the US struggle against terrorism, offering economic, political and moral support, as well as providing intelligence information. Meanwhile, in the face of global recession, both sides recognized the wider importance of maintaining the momentum of their economic and trade co-operation (*RMRB* web site, 24 October).

On 2 October, it was reported from Washington that four Chinese airlines – China Southern, China Eastern, Hainan, and Shanghai Airlines

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– had concluded an agreement worth almost US$1.6 billion to purchase 30 Boeing 737 jet aircraft liners. Delivery would begin in 2002 and continue until 2005.

On 30 November, the Chinese Vice Foreign Minister (Wang Guangya) held talks in Washington with US Secretary of State Colin Powell. Powell congratulated China for successfully having hosted the recent APEC meeting. The two men were in agreement on the need for further international co-operation in the struggle against terrorism (XHNA, 1 December).

Western and Southern Europe (Iceland, Germany, Cyprus, European Union [EU])

On 29 October, the Icelandic Foreign Minister (Halldor Asgrimsson) held talks with Zhu Rongji in Beijing. His visit to China was prompted by the 30th anniversary of the establishment of diplomatic relations between the two countries. Zhu spoke of the sound development of bilateral relations and expressed the hope that co-operation could be extended in areas such as geothermal power, fishery and shipbuilding industries. Later the same day, Asgrimsson also met Tang Jiaxuan, with whom he exchanged views on global and regional issues of common concern (XHNA, 29 October).

On 31 October, the German Chancellor (Gerhard Schroeder) arrived in Beijing for a three-day official visit – his third visit to China. Against the background of the conclusion of contracts worth "billions" of German marks, signed by Bayer and BASF, Zhu Rongji indicated that Germany was becoming the largest European investor in China. With 26 other economic agreements expected to be signed during his visit, Schroeder suggested that economic relations between his country and China had reached an "agreeable" level (Berlin, DDP, 31 October). During his talks with Schroeder, Zhu also spoke of their agreement on measures against terrorism.

The following day, Schroeder held talks with Jiang Zemin, who expressed satisfaction with the level of bilateral co-operation between China and Germany. He thanked the German government for its endorsement of the one China policy. He also noted the great political significance of the launch of the euro, which would enter circulation at the beginning of 2002, predicting that it would offer new opportunities for stronger Sino-European relations (XHNA, 1 November).

In November, the Cypriot Foreign Minister (Ioannis Kasoulidhis) visited China, where he held "wide-ranging and in-depth" talks with Tang Jiaxuan on bilateral relations and regional and international issues of shared concern.

A speaker at an international seminar on co-operation between Asia and Europe (Xi'an, 10 October) noted that in the 20 years after the establishment of diplomatic relations between China and the EU in 1975, bilateral trade had risen from US$2.4 billion (1975) to US$40.34 billion dollars. EU investment China has also increased sharply to reach a

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cumulative figure of almost US$40 billion in 2000. Even so, in comparative terms, the scale of bilateral trade was less impressive, the total trade volume of the 15 EU member states still being below that of the United States and Japan. Addressing the seminar, Long Yongtu (Vice-Minister of MOFTEC) called for the establishment of a mechanism that would facilitate expanded trade and economic co-operation among countries along the Eurasian Continental Bridge.

The future expansion of Sino-EU trade would be shaped by three factors: the impact of China's accession to the WTO (especially the conduct of trade within the norms of international rules and regulations); the maintenance of the momentum of rapid GDP growth in China and the consequent attractiveness of China as an environment for investment and technological transfer; and the EU's own strategic trend of strengthening its ties with Asia (XHNA, 10 October).

In early December, EU Trade Commissioner Pascal Lamy headed an official delegation to China, where he held talks with Premier Zhu Rongji and Shi Guangsheng.

(b) *International Organizations (United Nations [UN], Asia–Pacific Economic Co-operation [APEC], Association of South-East Asian Nations [ASEAN])*

Addressing an open debate at the 56th UN General Assembly (UNGA) session on 3 October, Wang Yingfan (China's Permanent Representative to the UN), acknowledged the serious threat to international peace and security posed by terrorism and urged the UN to take the lead in international efforts to prevent and combat terrorist activities.

On 9 October, China's Deputy Permanent Representative to the UN addressed the Third Committee of the UNGA (in charge of social, humanitarian and cultural affairs). He acknowledged the global threat to peace and stability posed by international terrorism, whilst also highlighting the enormous human and economic losses that armed conflict had inflicted on particular countries and regions (XHNA, 9 October). Noting that a peaceful and stable international environment was an essential condition for the realization of social development, he called on the international community to fulfil their responsibility to "maintain peace and stability and strengthen international co-operation against terrorism in accordance with the purposes and principles of the UN Charter."

Accordingly, Shen called for accelerated international co-operation in promoting social development, especially to combat natural environmental problems, resource scarcities and the spread of disease in developing countries. Such co-operation should, he said, embrace financial and technical assistance, as well as the implementation of measures designed to remove the indebtedness of poor countries ahead of schedule.

The same day, Hu Xiaodi, Chinese Ambassador in Charge of Disarmament, addressed the First Committee of the UNGA (responsible for disarmament and international security). He called for a new concept of

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security based on international co-operation, arguing that the events of 11 September had shown that:

> in the 21st century when security challenges are increasingly diversified with the rapid development of science and technology and the steady deepening of economic globalization, only international co-operation CNA bring about real security.

Hu urged all governments throughout the world to address their individual security strategies and priorities. He added that "Maginot-type" missile defence systems far from offering an effective means of countering international terrorism, merely brought a false sense of security and increased mutual distrust among nations to the detriment of global security. Hence the need for the United States government to cease the development and deployment of such "destabilizing" systems.

At the Senior Officials Meeting (SOM) of the Asia–Pacific Economic Co-operation (APEC) on 15 October – a preliminary to the 13th APEC Ministerial Meeting (AMM), scheduled to take place in Shanghai on 17–18 October – Vice-Foreign Minister Wang Guangya noted that the agenda for the forthcoming conference had been basically completed. The main tasks of the current informal meeting of senior officials were to prepare reports on the results of trade liberalization, the enhancement of human resources capability, and economic and technical co-operation for submission to the conference.

In advance of the AMM, Shi Guangsheng (Minister of Foreign Trade and Economic Co-operation and co-chair of the forthcoming meeting) revealed that the value of China's total trade with other APEC members was US$344.55 billion (2000), or 72.6 per cent of the national total. Moreover, nine of China's top 10 trading partners were APEC economies – viz. Japan, America, Hong Kong, ASEAN, South Korea, Taiwan, Australia, Russia and Canada. Contractual investment in China by APEC was US$39.75 billion in 2000 (63.7 per cent of the total), while the corresponding figures for utilized FDI were US$30.05 billion and 73.8 per cent (XHNA, 16 October).

Tang Jiaxuan revealed that three principal issues would be discussed at the 13th AMM: first, to promote trade and investment; secondly, to facilitate sharing the benefits of globalization; and thirdly, to encourage sustainable economic growth throughout the Asia–Pacific region. He added that there would also be an exchange of views on how to contribute to the Fourth WTO Ministerial Conference (scheduled to take place in Qatar on 11–13 November).

Under the theme of "Meeting new challenges in the new century: Achieving common prosperity through participation and co-operation," the 13th AMM opened in Shanghai on 17 October. In his welcoming speech to ministerial participants from all 21 APEC member economies, Tang Jiaxuan noted the major goal of achieving trade and investment liberalization by 2010 for developed members of APEC, and by 2020 for developing members. He added that the most important current priority was to promote growth and restore market confidence in order that *all* people in *all* sectors of the Asia–Pacific region could benefit from

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economic globalization and the "New Economy" without the emergence of widening inter-personal and inter-regional development gaps.

Commenting on the first day of the AMM, Wang Guangya noted the shared sense of urgency, in the wake of the 11 September terrorist attacks, of all participants in respect to the need for an early resumption of global trade talks. Ministerial representatives were also said to have discussed the recent global economic downturn and the economic impacts of the terrorist attacks in New York and Washington.

Following the two-day AMM, Tang Jiaxuan suggested that the meeting had achieved progress in three areas: the further promotion of trade liberalization and the facilitation process in the Asia–Pacific region; the strengthening of economic and technological co-operation to the benefit of people in the APEC region; and intensified efforts to put in place conditions favourable to the pursuit of sustainable economic growth in the Asia–Pacific region.

On 18 October, at a working breakfast hosted by Tang Jiaxuan, AMM foreign ministers reached consensus on anti-terrorism, the main points of which were as follows: first, that the rest of the international community should join AMM ministers in recognizing that terrorism in all its forms was a threat to international peace and security and, as such, should be condemned and combated; secondly, that all anti-terrorist resolutions adopted by the UN Security Council (UNSC) should be implemented; thirdly, that international co-operation against terrorism should be strengthened under the aegis of the UN and UNSC; finally, that the struggle against terrorism was a struggle between just and evil, and between civilization and barbarism – not merely a conflict between different ethnic groups, religions or cultures (XHNA, 18 October).

The same day saw the opening of three-day summit meeting of APEC Chief Executive Officers (CEO), the theme of which was "New century, new economy: developing in the globalizing world." Through discussion of associated issues, it was hoped that regional business leaders would reach a clear consensus and accommodate the challenges of economic globalization through their participation in all-round co-operation, thereby promoting economic prosperity and sustainable development throughout the region and the rest of the world. Among those expected to address the summit were the presidents of China, Mexico, Russia and the US, and the prime ministers of Australia, Malaysia and New Zealand.

In a keynote speech to the summit, Yu Xiaosong (Chair of the APEC CEO Summit Organizing Committee) drew attention to the rich opportunities offered by the emergence of the "new economy" and globalization, such as greater profitability afforded by the use of new technologies, the upgrading of traditional industries, easier market access for new firms, and a reduction of trade barriers. But he also spoke of the challenges deriving from the same source – challenges, which he described as being especially "tough [for Asia–Pacific companies] due to characteristics of the local environment." Against this background, it was essential that regional enterprises should enhance their innovatory awareness, and adjust and update their organizational structures, management systems

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and marketing strategies. There was a need too to adapt local conditions to the requirements imposed by a global perspective, as well as to accommodate risks entailed by the possibility of regional conflicts and other exigencies (XHNA, 18 October).

In a speech to the CEO summit, Vice-Premier Qian Qichen referred to the valuable role played by previous APEC CEO summits in facilitating co-operation in the interests of promoting economic development and prosperity throughout the APR. The current meeting would, he said, further enhance this process, not least by facilitating co-operation between enterprises and governments.

Jiang Zemin took up the familiar theme in his speech that recent developments throughout much of the world reflected a growing trend towards multi-polarization, economic globalization and unprecedentedly rapid scientific and technological change – all of which offered the material base for economic and social progress throughout the world. He urged the WTO, APEC and national governments to direct their special attention towards "vulnerable" countries and peoples, while simultaneously strengthening economic globalization and trade liberalization. He warned against neglecting the unevenness of global economic development, drawing attention to the potential threats to LDCs and small and medium-size enterprises associated with globalizing and liberalizing trends. If these trends were pursued rationally, they could help allocate global resources more effectively and equitably, thereby facilitating the establishment of a global multilateral trading system and a just international economic order. By contrast, irrational pursuit of the same trends was likely to generate even greater inequalities in access to resources, exacerbate development and welfare differentials and intensify environmental degradation. Hence, Jiang's conclusion that:

> in order to develop the New Economy, we must not only update our economy with advanced science and technology, but also, in response to this new trend of development, revamp the economic structures, systems and mechanisms accordingly, readjust the economic relationships between states and between enterprises, and update our philosophies and concepts for economic and technological co-operation across national boundaries (XHNA, 18 October).

On 21 October, Jiang Zemin addressed the Ninth APEC Economic Leaders Meeting. Many of his points echoed those that he had made in his earlier speech. In particular, he once more stressed the opportunities and challenges presented by the forces of economic globalization: opportunities offered by rapid scientific and technological advances; the challenges deriving from the widening gap between rich and poor. He predicted that in the long run, the Asia–Pacific region would remain the most dynamic part of the global economy, and meanwhile urged APEC members to improve their macroeconomic policy co-ordination, intensify economic restructuring, and pursue financial market stabilization and create a sound overall environment for economic recovery and sustainable development. He reaffirmed the APEC goals of achieving trade and investment liberalization by 2010 for developed members, and by 2020

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for developing members. On behalf of the Chinese government, Jiang stated China's determination to "unswervingly focus on development and carry out restructuring … with reform, opening up and advances in science and technology as the driving force, and the improvement of the people's living standards as the fundamental objective" (XHNA, 21 October, which also transmitted the Leaders' Declaration of the Ninth APEC Economic Leaders Meeting).

Although Tang Jiaxuan described the Shanghai APEC meeting as a "total success," a Kyodo comment (21 October) argued that while it had made significant progress towards agreeing on collective action by APEC members against terrorism, progress on trade liberalization had been slow. Only at the last minute, for example, had Brunei, Indonesia and Malaysia been persuaded to endorse the creation of an APEC Secretariat-led team to review individual members' progress towards such liberalization on a regular basis. Not least, the interpretation of "liberalization" remained ambiguous – some thinking in terms of zero tariffs, while others considered it sufficient to work towards a 5 per cent tariff level (for further comment, see also *RMRB*, 22 October).

On 4 November, Zhu Rongji arrived in Begawan (Brunei), to take part in the Fifth Leaders Meeting between APEC and China, Japan and South Korea (ROK) – the "10 plus three," as well as in the Fifth Leaders Meeting between ASEAN and China ("10 plus one").

The following day, Zhu set out a five-point proposal on promoting co-operation between ASEAN and China, Japan and South Korea. The main content of the proposals (see XHNA, 5 November) was:

- to refine the orientation and goals of co-operation within "10 + 3;"
- to promote the co-ordinated development of "10 + 3" and "10 + 1" co-operation to the mutual benefit of both groups;
- to direct special efforts towards promoting *financial* co-operation;
- to broaden exchanges in order to embrace tourism, cultural and other forms of communication;
- to undertake dialogue and co-operation in respect to "non-traditional security" (e.g. terrorism, drug trafficking and the smuggling of aliens).

Zhu also noted that in the face of the global economic downturn, trade and investment growth between China and ASEAN remained buoyant. During the first three quarters of 2001, for example, the value of bilateral trade was US$30.3 billion – 6.8 per cent more than in the same period of 2000. He also expressed China's willingness to join ASEAN in early talks about the possibility of establishing a regional free trade area – this against the background of a proposal by the Expert Group for China-ASEAN Economic Co-operation that China and ASEAN member states set up a free trade area within 10 years.

On 11 November, the Chinese Foreign Minister (Tang Jiaxuan) addressed delegates at the 56th UNGA in New York. He spoke of evidence of stronger co-operation in international affairs during the previous year, but also noted serious challenges to the "cause of human progress." In

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particular, he once again expressed the Chinese government's condemnation of the 11 September terrorist attacks and, while urging an even greater role for the UN in fighting terrorism, reaffirmed its determination to join in combating the "tiny fringe of extreme evil" that such acts represented. He added that "only by enhancing international co-operation could one effectively cope with challenges to global security and realize the goal of having universal and long lasting security."

Tang also spoke of the urgent need, in the interests of regional and world security, to promote arms control and disarmament, and combat the proliferation of weapons of mass destruction (for Sheng Guofang's speech to the Second Conference on Facilitating the Entry into Force of the Comprehensive Nuclear-Test-Ban Treaty (CTBT), see XHNA, 12 November). Tang spoke of the Chinese government's deep concern over the current situation in the Middle East, arguing that the Israeli–Palestinian conflict remained a major threat to the peace process in the region. He endorsed relevant UN resolutions, as well as the principle of exchanging land for peace, and referred to "the Palestinian people's just cause of resuming their legitimate national rights." His concern also extended to the situation in South Asia – especially Afghanistan.

In a reference to economic trends, Tang noted slowing global economic growth and the increasing incidence of poverty in LDCs. He urged developed countries to play a more active role in development, through the implementation of appropriate macroeconomic and foreign aid policies. Opposition to globalization had, he said, increased through many parts of the world in the recent years. China's attitude was that globalization was neither a panacea nor a "great scourge," but a process that promised to – and should be made to – deliver benefits to "people of various classes in all countries" (XHNA, 11 November).

At UN headquarters, Tang later participated in the "6 + 2" foreign ministers' meeting. As well as holding meetings with government officials of other countries, he also met UN Secretary-General Kofi Annan. (For comments at the 56th UNGA by Wang Yingfan (Chinese UN Permanent Representative) on the need for stronger follow-up action towards implementing the Millennium Declaration, see XHNA, 20 November).

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