Quarterly Chronicle and Documentation

(April–June 2006)

Sources

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

Abbreviations

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

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1. Internal Developments

(a) *The 21st and 22nd Sessions of the Tenth NPCSC*

The 21st Session of the NPCSC was held in Beijing on 25–29 April. Delegates adopted the Farm Products Quality and Safety Law (effective as of 1 November) and the Passport Law (effective as of 1 January 2007) (XHNA, 29 Apr., which also lists other legislation passed by the NPCSC).

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The 22nd NPCSC Session opened in Beijing on 24 June. Legislation considered by delegates included two draft laws: one on farmers' co-operatives, and the other on coping with emergencies. Discussion continued on the Draft Supervision Law, and the Draft Partnership Enterprise Law, as well as on Criminal Law amendments, and a draft amendment to the Compulsory Education Law.

Delegates received a report from Zhou Kunren (Vice-Chairman of the NPC Law Committee) on the outcome of deliberations on the (Sixth) Draft Amendment to the Criminal Law, and one made by another Vice-Chairman of the same committee (Li Zhongan) on the outcome of discussions of the Draft Amendment to the Compulsory Education Law.

Two more Vice-Chairmen of the law Committee – Qiao Xiaoyang and Hong Hu – meanwhile delivered reports on, respectively, the amendment to the Draft Supervision Law, and the revision of the Draft Amendment to the Partnership Enterprise Law.

NPC Standing Committee members duly adopted the sixth Amendment to Criminal Law and the Amendment to Compulsory Education Law. They also ratified the convention on the proposed Asia-Pacific Space Co-operation Organization, the Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matters, the Treaty on Transfer of the Sentenced Persons between China and Spain, the Treaty on Criminal Matters between China and Mexico, a report on the 2005 final accounts and a report on the 2005 central budget (XHNA, 29 June).

(b) *Party, Political and Ideological Affairs*

The 40th anniversary of the start of the 'Great Proletarian Cultural Revolution' passed without attracting significant attention. However, among a small number of media comments, a Hong Kong source reported that on 17 May Shanghai residents had protested over their forced relocation to Xinjiang in the 1960s and their treatment on their return. Many of the 150 protesters were said to have carried signs stating "[t]here's nothing wrong with petitioning." One middle-aged woman was quoted as saying that "[t]hey forced us to go there and now we want to be repaid for what was taken … We had all lost so much." The focus of their protestors' complaints, said to take place on a regular basis, was the inadequate medical and pension benefits which they received (*SCMP* website, 18 May see also Hong Kong, *Cheng Ming* [*Zhengming*], 1 May).

A Xinhua commentary (XHNA, 16 Apr.) highlighted the importance attached by the CCP Central Committee to theoretical and ideological development since the 16th CCP National Congress. This was reflected not only in the increased emphasis placed on studying the implementation of the "Three Represents," but also on the formulation of important new "strategic" ideas (e.g., the concepts of "scientific development" and a "harmonious socialist society"). The outcome of these major initiatives was that

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China, the sailboat of socialism, is gradually shifting to the track of scientific development, sailing faster and better in the charted course.

The "important thinking of the 'Three Represents'" was founded on the theoretical legacy of Marxism-Leninism, Mao Zedong Thought, and Deng Xiaoping Theory. It reflected the demands of both Party and country under the impact of a new mode of development, whilst offering a "powerful theoretical weapon for propelling the self-perfection and development of socialism in China."

As a result of a series of important educational and organizational initiatives launched by the central authorities, since the 16th National Party Congress the study and implementation of the 'Three Represents' had intensified. Thus,

Principal members of the central groups of party committees (party groups) at all levels have taken the lead in studying and giving lectures; theoretical study has been unfolded in close conjunction with the central work task; party schools at all levels have carried out large-scale off-the-job training for cadres in active duty... In the process of studying and implementing the important thinking of the "Three Representations", regions and departments have put the work of arming the mind with theory on the top of ideological building and introduced many methods and measures that have proven to be effective.

The Ministry of Civil Affairs reported that in 2005 some 470 million Chinese villagers participated in village elections designed to choose leaders in 368,000 out of a total of 629,000 village committees. The report described village elections as the "bright point" of China's efforts to build a "democratic polity" (XHNA, 18 May).

As of end-2005, membership of the Chinese Communist Party had reached to 70.8 million. Of these, 23 per cent were below the age of 35 (0.3 per cent more than in 2004); 19.2 per cent were female (up 0.6 per cent); and 29 per cent had received a college-level education (a rise of 1.7 per cent).

In 2005, 2.47 million new members were added to the existing membership (2.4 per cent more than in 2004). These included 734,000 students, 226,000 workers, 492,000 farmers, herdsmen and fishermen, 200,000 personnel in government and party departments, 570,000 "executives and technicians of other sorts of civilian organizations," 217,000 military personnel and members of the armed police, 36,000 self-employed people and "professionals with no fixed jobs."

The statistics, made available by the CCPCC Organization Department, also showed that the number of grass-roots Party organizations had risen by 1.2 per cent to 3.52 million (XHNA, 19 July).

(c) *Social and Legal Affairs*

The State Council Leading Group Office of Poverty Alleviation and Development noted that between 1994 and end-2005, the number of rural Chinese women living in abject poverty had fallen from 35 million to 12 million. The extension of female education and provision

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of small loans to enable women to acquire practical techniques had contributed significantly to this success. The same source revealed that some 23.65 million people (men and women) still lived in absolute poverty – defined in terms of having a per capital annual income of less than 683 *yuan* (US$85.4), or a mere 20 per cent of average rural income throughout China (XHNA, 11 Apr.).

A Chinese Ministry of Health source noted a sharp decline in the mortality rate of women in pregnancy and childbirth, especially in poor central and western regions, as well as in the incidence of infant tetanus. At the end of 2005, the mortality rate among such women was 0.0564 per cent – 25.8 per cent lower than in 2001. The incidence of infant tetanus had meanwhile fallen to just one per thousand. Both improvements reflected the impact of government health campaigns. The biggest declines had taken place in border ethnic minority regions, such as Tibet, Xinjiang and Qinghai (XHNA, 10 Apr.).

Against the background of predictions that a relaxation in family planning regulations would leave China to face a "mini-baby boom" before 2010, Zhang Weiqing (Minister in charge of the National Population and Family Planning Commission) was insistent that family planning laws would remain in place in order to stabilize the current very low birth rate. He acknowledged that with almost 100 million single children born since the inauguration of the one-child policy in 1973 now reaching marriageable and child-bearing ages, a baby boom would take place. But he argued that compared with the booms of the early 1950s, the mid-1960s and the late 1980s, it would be of a minor order (XHNA, 2 May).

It was announced that in order to facilitate the movement of "tens of millions" of people into urban areas, the government planned to spend 600 million *yuan* in 2006 on short-term vocational training for 3.5 million rural residents. The plan was part of an initiative – the "Sunny Project" – begun in 2004 and intended to provide potential farmer migrants with basic skills that would be useful in construction, manufacturing and service activities. In turn, the background of the initiative was the reality of the existence of 150 million surplus labourers in rural China, to which number six million were added annually.

Meanwhile, a report by the National Development and Reform Commission (NDRC) noted that 60 per cent of all new Chinese graduates were unable to find jobs and predicted that the situation would worsen in the short run. It predicted that in 2006 the number of graduates would reach 4.13 million (22 per cent more than in 2005), but pointed out that against the background of surplus production capacity the job market would be able to accommodate only 1.66 million graduates (22 per cent *fewer* than in 2005) (XHNA, 7 May; see also XHNA, 10 May, for a report that in the face of increased graduate unemployment more than 55,000 university graduates had applied for work in economically backward regions in western China).

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Zhou Shengxian (Head of the State Environment Protection Administration (SEPA)) admitted that in the face of China's growing environmental problems in recent years, mass protests had increased by almost 30 per cent annually. In 2005 alone, there had been over 50,000 disputes over environmental pollution, and 97.1 per cent of all environmental mishaps were said to involve the release of pollution. Water contamination accounted for 50.6 per cent of all accidents, followed by air pollution (the main cause of almost 40 per cent of accidents). Direct economic losses occasioned by such incidents totalled 105 million *yuan*.

In another report, Zhou Shengxian was quoted as saying that a number of areas had "disregarded the public's living environment and launched development projects in a blind and chaotic way." In the face of such continuing problems, he reaffirmed SEPA's determination to withhold permission for the implementation of "construction projects that fail to pass stringent environmental impact assessments." He noted that in the previous two years, 1,190 out of 55,000 projects evaluated by environmental protection officials had been rejected for having failed meet environmental standards. Elsewhere, it was suggested that stringent environmental assessment regulations offered one way of dampening excessive fixed asset investment and helping achieve a better balance between construction demand and supply (XHNA, 26 May).

On 5 June, the State Council's Information Office issued a White Paper, on "Environmental Protection in China (1996–2005)" (full text in XHNA, 5 June). Its Foreword noted the increasingly serious "conflict" between development and the environment in China, and acknowledged the "critical" nature of problems associated with the country's environmental fragility and insufficient environmental capacity. Hence, the adoption of a new supposedly "scientific" development strategy that placed a high premium on sustainability.

The content of the White Paper was arranged under ten headings, as follows:

1. Environmental protection legislation and system
2. Prevention and control of industrial pollution
3. Pollution control in key regions
4. Protection of the urban environment
5. Protection of the rural environment
6. Ecological protection and construction
7. Economic policy and investment concerning the environment
8. Environmental impact assessment
9. Environmental science and technology, industry and public participation
10. International co-operation in environmental protection conclusion

A Xinhua commentary noted the greater emphasis on environmental regulation contained within the White Paper. It underlined the

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"grave" threat which environmental problems posed to China's future development, and noted important legislation that had been passed in recent years in order to contain the threat. Zhu Guangyao (Deputy-Director of SEPA) voiced particular concern about local officials' emphasis on high GDP growth:

> The 7.5 per cent annual growth rate set by the 11th Five-Year Plan will keep the country's development at a stable pace. But some local governments, especially those in remote and backward areas, are still pursuing rapid economic development, giving more pressure on local environment and resources.

Zhu suggested that the economic losses associated with environmental pollution represented about 10 per cent of China's GDP. Such a figure highlighted the importance of fulfilling the 11th Five-Year Programme's goal of lowering energy consumption per unit of GDP by 20 per cent, reducing the discharge of major pollutants by 10 per cent, and increasing forest cover from 18.2 to 20 per cent (XHNA, 5 June; see also XHNA, 5 June, quoting Vice-Premier Zeng Peiyan on China's environmental problems).

A State Forestry Administration source revealed that desertification had transformed 18.12 per cent of China's surface area deserts, impacting on the lives of almost 400 million Chinese people. The problem affected 30 out of 32 Chinese provinces, autonomous regions and municipalities, and caused annual economic losses of more than 54 billion *yuan*.

It was reported by the Ministry of Civil Affairs that 1.79 million Chinese couples had divorced in 2005 (7 per cent more than in 2004), taking the divorce rate to 2.73 per thousand. Meanwhile, the number of marriages fell sharply from 8.67 to 8.23 million – a decline of 5 per cent. Of those who married, 47 per cent were aged between 20 and 24 years, and a further 34 per cent between 25 and 29.

(d) *Economic Affairs*

An executive meeting of the State Council (14 June), chaired by Premier Wen Jiabao, described China's general economic situation as "good," and referred to a "fast yet steadily" growing economy. It acknowledged, however, that problems persisted, the most prominent of which were the excessive expansion of fixed investment, over-extended loans, energy shortages and environmental pollution. The meeting called on all regions and departments to adhere to CCPCC economic guidelines on restructuring, adjusting growth and deepening reform. It also highlighted the importance of maintaining progress in the agricultural and rural sectors in order to raise grain output and increase farm incomes. Other priorities included the need to regulate new construction projects, rationalize land use, reduce bank lending, and stabilize housing prices (XHNA, 14 June).

An article in *People's Daily* addressed the question of China's on-going reform programme and its role in the 11th Five-Year Programme (2006–2010). It quoted Hu Jintao to the effect that if

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the Programme's goals were to be fulfilled, the twin process of reform and opening up must be intensified. Thus,

> [R]eform and opening up is the only road leading to a prosperous and strong China and the road to success for the development of socialism with Chinese characteristics. To maintain its great vitality, socialism must perfect itself through reform and opening up. Throughout the process of socialist modernization it is an important guarantee for socialism to be filled with vigour and vitality to continuously promote and deepen reform; to use the method of reform to resolve problems in systems and mechanisms that impede economic and social development; and to strive to establish a fairly mature and steady system compatible with the basic national conditions in the initial stage of socialism. Without pushing reform forward, we are not only unable to achieve new successes but also to sustain the successes already achieved, much less to continue to advance our cause. In accordance with the party's basic theory, line, programme and experiences, we must adopt firm basic viewpoints on socialist reform and development, and constantly enhance the consciousness and steadfastness of supporting and deepening reform.

The article was at pains to emphasize the complexity of the development challenges currently facing China, including the emergence of "some obstacles to economic and social development and [the persistence of] defective systems and mechanisms." In the face of such challenges, it was essential to formulate appropriate measures and policies:

> We should give greater play to the basic role of market in allocating resources to enable economic activities to comply with the requirement of the law of value and keep abreast with changes in supply-and-demand relations; and use the functions of price as a leverage and competition mechanism to allocate resources to the most efficient links.

Complementary measures were also needed to provide improved administrative management and to facilitate further institutional reform in order to create a competitive "modern enterprise system" and a more effective financial regulatory framework. The comprehensive nature of reform required too that adjustments be made not only in economic spheres, but also to the "superstructure" of China's political, social and cultural systems (*RMRB*, 5 June).

In the face of concern about economic overheating, on 28 April China's central bank announced an increase in the base interest rate on lending from 5.58 per cent to 5.85 per cent (a rise of 0.27 per cent). It was the first such rise since October 2004 and was intended to dampen investment (fixed asset investment having increased by almost 28 per cent in January–March 2006). It was thought that the adjustment would have the biggest effect on the real estate sector, through its impact of mortgage costs (XHNA, 28 Apr.; and see Hong Kong, *Wen Wei Po* [*Wenhui Bao*], Wen Hui Daily, 29 Apr.; see also XHNA, 3 May).

Against the background of increasing – even excessive – absorption of capital by the real estate industry, the Deputy-Governor of the

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People's Bank of China (Wu Xiaoling) warned of the dangers of a housing bubble in China. She noted that real estate financing had accounted for an increasing share of financial sector activities in China. As of the end of 2005, Chinese banks' loans to the real estate sector totalled 3.07 trillion *yuan* – 15 per cent of all lending by financial institutions, or equivalent to 16.75 per cent of gross domestic product (GDP). Loans to individual house-buyers stood at 1.84 trillion *yuan*, or 8.9 per cent of total lending (10 per cent of GDP) (XHNA, 25 Apr.; see also XHNA, 17 May for a report of a State Council meeting on the housing situation, and XHNA, 31 May, reporting the decision of the People's Bank of China to raise the down payment on loans for purchasing homes of more than 90 sq.m from 20 per cent to 30 per cent).

On the basis of statistics for January–February 2006, the Ministry of Information Industry (MII) revealed in April that almost 90 per cent of China's exports of electronic products were generated by foreign ventures. During this period, overseas firms accounted for 86.9 per cent of the US$19.56 billion of exports in the industry, and 78.8 per cent of profits (XHNA, 15 Apr.).

A survey undertaken by the Ministry of Labour and Social Security suggested that despite China's massive overhang of rural under-employment, urban labour supplies were showing a contractionary trend. In Guangdong province, for example, the absorption of 19 million migrant workers notwithstanding, there remained a reported annual labour shortfall of two million. Even in some inland cities, labour shortages were beginning to appear (in Henan, labour supply in textile and clothing mills was 30 per cent below requirements). In some coastal cities, the emerging labour shortage was reflected in monthly wages for workers in construction engineering and machine building enterprises having risen from 600 *yuan* in 2003 to 1,000 *yuan* – "almost equal to the local monthly salary of college graduates" (XHNA, 28 May).

A Hong Kong source reported that 2006 would see the start of construction of three nuclear power plants in Guangdong, including the Yangjiang power station, which would eventually comprise six generating units, each with a capacity of one million or more kW. The first two Yangjiang units would begin operations in around 2012, and the other units were expected to come on stream in 15–20 years. On completion of all three units, Guangdong's total nuclear output would rise from the current level of 4 million kW to 15 million kW, thereby supplying over one-fifth of the province's power production (including about 15 per cent of electricity consumption) (*SCMP* website, 1 Apr.; see also XHNA, 6 Apr. for a report on competition between Hunan, Hubei, Anhui, Jiangxi, Gansu, Henan, Jilin, Chongqing and Sichuan to be the first *non-coastal* province to establish a nuclear power plant; also XHNA, 18 May on the establishment of a joint venture company for the construction of a nuclear power plant in

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Fujian province; and XHNA, 8 June, on the construction of the first-ever nuclear power plant in the Northeast (Liaoning Province)).

Zhang Guobao (NDRC Vice-Minister) conceded that plans to raise China's installed nuclear power capacity to 40 gigawatts by 2020 might be difficult to fulfil. If the goal were to be achieved, 32 nuclear power units, each capable of generating at least one gigawatt, would need to be constructed during the next 15 years. He noted that at the present time, nine nuclear generators were in commercial operation throughout the country, with an overall capacity of some seven gigawatts (XHNA, 8 June).

On 3 April Sinopec Corporation reported the discovery, in the north-eastern region of Sichuan Province, of China's largest natural gas field, with proven deposits of 251 billion cubic metres. Sinopec had already submitted for the development of the Puguang natural gas field, whereby annual production would rise from 4 billion cubic metres (2008) to 8 billion by 2010. The development plan also envisaged the construction of a pipeline to carry natural gas from Puguang to the capital of Shandong (Jinan) (XHNA, 3 Apr.).

Han Wenke (Deputy-Director of the NDRC's Energy Research Institute) predicted that by 2020 renewable energy sources would have increased China's energy supply to 400–500 million tons of coal equivalent (TCE), as a result of which, renewable energy was expected to contribute 10 per cent of China's annual energy consumption (for further details of expected rises in the output capacities of individual renewable energy sources, seed XHNA, 16 May).

An article in *People's Daily* reported that on 20 May the last load of concrete had been poured into the dam of the Three Gorges Reservoir, marking the successful completion of the roofing of the entire Three Gorges Dam and taking the dam – the largest steel and concrete dam in the world – to a height of 185 metres (*RMRB* website, 21 May).

(f) *Education*

A Ministry of Education source reported that in line with a State Council ruling, enrolments in Chinese universities would increase by only 5 per cent in 2006 – 50 per cent less than in 2005. The rationale of the decision was that universities should concentrate on improvements in the standard of university teaching standards rather than on merely increasing student numbers. This, in turn, reflected a widespread perception that in the wake of a rapid rise in student enrolments since 1999 – a process that had taken China's student population to 23 million (the largest in the world) – there had been a significant decline in the quality of university teaching (XHNA, 26 May).

(g) *Military Affairs*

On 25 May the Commission of Science, Technology and Industry for National Defence adopted an "Outline of the Development

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Programme of Science and Technology for National Defence (2006–2020).'' The document set out a development programme, providing for the enhancement of China's ''capability to innovate, develop and rapidly supply new-generation weaponry.'' To this end, it stated that priority goals during the coming 15 years would focus on the development of:

- new and high-tech weapons;
- high-tech industries designed to serve both military and civilian goals;
- manufacturing technologies for military industries;
- ''basic and frontier'' defence technologies;
- defence-orientated technological innovation.

Fulfilment of these goals would ensure the provision of high- and new-tech weaponry, including digital technology, for China's ''mechanized and information-based army.''

Xinhua noted that in 2004 China's defence budget totalled 211.7 billion *yuan* – just 5.77 per cent of that of the United States. The corresponding figure for 2005 was around 248 billion *yuan*, and was expected to rise by 14.5 per cent to reach 283.8 billion *yuan* in 2006 (XHNA, 25 May; for an analysis of comparative military spending by China and the United States, see Hong Kong, *ZTS*, 26 May).

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

''Tens of thousands'' of people were reported by Radio-Television Hong Kong to have assembled in Victoria Park in Hong Kong to conduct a vigil on the anniversary of the ''Tiananmen Massacre'' of 4 June 1989 (and see Hong Kong, *Ming Pao* [*Mingbao*] website for text of article by Liu Xiaobo).

2. Foreign Relations

(a) Diplomatic Tours

Wen Jiabao's visits to Australia, Fiji, New Zealand and Cambodia

On 1 April, Wen Jiabao arrived in Perth at the start of an official visit to Australia – the first such visit by a Chinese Premier in almost 18 years. He travelled to Canberra, where (3 Apr.) he held talks with the Australian Prime Minister, John Howard, on bilateral relations and regional and international issues of common concern. The talks took place against the background of the steady development, in recent years, of bilateral trade and economic relations (two-way trade having reached US$27.3 billion in 2005) (XHNA, 3 Apr., which also has the text of Wen's speech at a welcoming banquet hosted by Howard). The Chinese Premier also held separate meetings with the Australian Governor-General (Michael Jeffery), the leader of the Labour Party (Kim Beazley), and Queensland State Premier (Peter Beattie). During Wen's visit, senior Chinese and Australian officials

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held the first-ever high-level bilateral economic co-operation dialogue, during which they discussed issues relating to investment, energy, mineral products and climate change.

Following their discussions, Wen and Howard witnessed the signing of a number of inter-governmental agreements and documents, including an agreement for bilateral co-operation in the peaceful use of nuclear energy and an agreement on the transfer of nuclear material. Alexander Downer (Australia's Foreign Minister) noted that the latter would provide for the supply of Australian uranium to China's nuclear power programme, as well as other forms of co-operation in peaceful uses of nuclear technology. He stressed the potential environmental benefits of diversification in China's energy use from fossil fuels to technologies, such as nuclear power, that had low greenhouse emissions (Australian Department of Foreign Affairs and Trade website, 3 Apr.).

Following his arrival in Nadi, on 4 April Wen Jiabao held talks with the Fijian Prime Minister (Laisenia Qarase). He spoke positively of the development of bilateral relations and co-operation, and noted that the two countries shared many common interests and concerns. He hoped that ties between them would grow even closer, as a result of closer trade, economic and regional co-operation. Qarase's remarks in response echoed those of the Chinese Premier. Following the talks, the two sides agreed to establish a "Sino-Fijian Important Co-operation Partnership Relationship" and a bilateral economic and trade joint committee. It was reported too that Fiji had undertaken to recognize China's market economy status. Wen and Quarase witnessed the signing of an economic and technological co-operation agreement, as well as other bilateral co-operation documents (XHNA, 4 Apr.). Wen also met the Fijian President, Josefa Iloilo.

During his visit to Fiji, alongside ministers from Australia, the Cook Islands, Fiji, Micronesia, New Zealand, Niue, Papua New Guinea, Samoa, Tonga and Vanuatu, Wen Jiabao attended the first Ministerial Meeting of the China-Pacific Island Countries Economic Development and Co-operation Forum (Nadi: 5 April). In a speech at the opening ceremony, he insisted that China sought to strengthen its relations with Pacific island countries for strategic reasons and not simply out of "diplomatic expediency." To this end, he revealed that China had decided to support economic development in the region by providing 3 billion *yuan* of preferential loans over three years, to accord zero-tariff treatment to most exports to China from the least developed countries in the region that enjoyed formal diplomatic relations with Beijing (XHNA, 5 Apr.).

Following his arrival in Wellington, on 6 April Wen discussed a range of bilateral, regional and international issues with the Prime Minister of New Zealand (Helen Clark). After the talks, the two sides signed agreements expected to lead to closer co-operation in educational, legal and cultural fields. It was reported that Air New Zealand would begin direct flights between Auckland and Shanghai.

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The final leg of his tour took the Chinese Premier to Phnom Penh, where he met Cambodia's King Norodom Sihanouk and Prime Minister Hun Sen. The two sides agreed to set up a "Comprehensive Partnership of Co-operation" (XHNA, 8 Apr.). Wen told his hosts that no problems between China and Cambodia remained unsolved and he spoke with satisfaction about continuing progress in the development of relations between the two countries. Hun Sen said that the Cambodian government wished to further promote "friendly and co-operative" relations with China, and expressed the hope that Chinese enterprises would increase trade and expand investment in water and electricity, the exploitation of mineral resources and infrastructural construction. Later, co-operation documents were signed, including an agreement on bilateral economic and technical co-operation (XHNA, 8 Apr.).

Hu Jintao's visits to the United States, Saudi Arabia, Morocco, Nigeria and Kenya.

(For details of Hu's state visit to the US, see below under "United States.")

Following his visit to the US, on 21 April Hu Jintao arrived in Riyadh for a state visit to Saudi Arabia. In his talks with King Abdallah (22 April), the Chinese President spoke of the considerable progress that had been made in the development of bilateral relations since the establishment of formal diplomatic ties in 1990. In particular, the agreement reached earlier in 2006 to establish "strategic relations of friendship and co-operation" testified to the new stage of development on which Sino-Saudi relations had embarked. It was Hu's wish that his visit would facilitate closer economic and political co-operation between the two countries. In particular, he called for an expansion of investment by Chinese enterprises in Saudi infrastructural construction, and expressed China's willingness to provide personnel training over a range of activities (including industrial and agricultural technology, vocational education and environmental control). He hoped too that the two sides would intensify energy co-operation and increase their trade in crude oil. Abdallah endorsed Hu's proposals and spoke of the Saudi government's wish to strengthen co-operation with China "in all dimensions and across many fields." The two men also exchanged views on the regional situation, the conflict between Israel and Palestine, and the situation in Iraq. They later witnessed the signing of a number of bilateral co-operation documents (XHNA, 22 Apr.).

During his stay in Riyadh, Hu also met the Secretary-General of the Gulf Co-operation Council (GCC), Abd-al-Rahman al-Atiyah. He praised GCC's contribution to the maintenance of peace and stability in the Gulf region, its role in promoting regional economic development, and its positive involvement in international energy markets. Al-Atiyah reaffirmed GCC's commitment to promote closer relations between its member states and China, and hoped that

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relevant parties would soon reach a free-trade agreement (XHNA, 22 Apr.).

From Riyadh Hu Jintao travelled to Rabat, where his discussions with King Mohammed VI and Premier Driss Jettou and other senior officials focused on ways of strengthening relations between China and Morocco. Hu's talks with Jettou specifically addressed economic and trade issues. He (Hu) noted that both trade and investment were expanding rapidly, and he hoped that the momentum of such growth would accelerate (XHNA, 25 Apr.).

During Hu's visit, the two sides signed seven co-operation documents, including agreements on trade, culture, health care and sanitation. Xinhua noted that the value of two-way trade had risen by 28 per cent in 2005 to reach US$1.48 billion (XHNA, 24 Apr.).

On 26 April the Chinese President arrived in Abuja for a two-day state visit to Nigeria at the invitation of President Olusegun Obasanjo. Following talks the same day, Hu and Obasanjo agreed that the two sides should formulate a strategic plan for the future growth of bilateral relations in order to enhance the two countries' strategic partnership. To this end, Hu called for measures to strengthen political trust, extend economic co-operation, expand cultural exchanges and enhance co-operation in international affairs. Subsequently, the two men attended a signing ceremony for bilateral co-operation documents embracing trade, health. (For the full texts of Hu's speech to the Nigerian National Assembly, and of the two sides' joint communiqué, see XHNA, 27 Apr.)

The final leg of his tour took Hu Jintao to Kenya, where (Nairobi, 28 April) he held talks with President Mwai Kibaki. As in Nigeria, Hu made a number of specific proposals designed to enhance bilateral co-operation. The two sides signed a number of co-operation documents in trade, economic relations, culture and education (XHNA, 28 Apr.; full text of Sino-Kenyan joint communiqué also in XHNA, 28 Apr. For a comment on Hu's five-nation tour, see *ZTS*, 29 Apr.).

Wen Jiabao's visits to Egypt, Ghana, Republic of Congo, Angola, South Africa, Tanzania and Uganda

In advance of Wen Jiabao's African tour, a Foreign Ministry official referred to a "new type of strategic partnership" which China was seeking to establish with Africa and which Wen's forthcoming visits sought to underline. An important aspect of the background to the tour was a rapid rise in trade that had taken place in recent years. In 2005 the value of trade between China and African countries had reached US$39.7 billion – four times that of 2000 (and 800 times higher than at the end of the 1950s). It was expected that in the course of the Chinese Premier's tour, several dozen co-operation agreements would be signed, embracing politics, trade and economic co-operation, agriculture, science and technology, and culture and education (XHNA, 16 June).

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Following his arrival in Cairo (17 June), Wen held talks with the Egyptian Prime Minister, Ahmad Nazif. Their ''in-depth'' discussions focused on ways of strengthening bilateral strategic and co-operative relations, and resulted in ''extensive common understanding.'' Wen spoke with satisfaction of the development of relations between China and Egypt since the establishment of formal diplomatic relations, and looked forward to a strengthening of the relationship. Both he and Nazif agreed that their governments should view the future development of bilateral relations from a long-run, strategic perspective. They agreed on four measures to further promote relations between their two countries: first, to maintain and strengthen existing channels of communication (between governments, parliaments and political parties); second, to look for new ways of expanding trade and economic co-operation with a view to achieving balanced trade development; third, to undertake more exchanges in culture, education, science and technology, public health and tourism; and fourth, to step up co-ordination in regional and international affairs. The Chinese Premier reaffirmed his government's support for Arab countries in their efforts to realize their ''legitimate national rights'' and expressed a willingness to establish a ''new type of partnership with Arab countries geared to the need of the future on the basis of equality and mutual benefits.''

Following their talks, Wen and Nazif signed the 'Implementation Outline for Deepening Strategic and Co-operative Relations between the People's Republic of China and the Arab Republic of Egypt. They also witnessed the signing of a number of bilateral co-operation documents, including an economic and technical agreement (XHNA, 17 June).

The following day, Wen met the Egyptian President, Husni Mubarak, with whom he also discussed bilateral issues and developments in the Middle East. The two men later attended a signing ceremony for 11 documents, embracing political, economic, cultural and educational activities.

At a press conference before his departure from Cairo, Wen told reporters that China would like to play a role in bringing about a Middle East peace settlement (XHNA, 18 June).

On 18 June, the Chinese Prime Minister arrived in Accra at the start of a two-day official visit to Ghana at the invitation of President John Agyekum Kufuor. The two leaders held talks on ways of strengthening bilateral ties and expanding co-operation to the benefit of both parties. They also discussed other issues of shared concern. According to Ghanaian sources, Kufuor called on the Chinese government to facilitate the implementation of a number of joint ventures (''business partnerships''), proposals for which had already been made with Exim Bank credit lines. These included construction of the Bui Hydro-Electric Dam and the ''internet connectivity backbone programme'' (Radio Ghana, 19 June). For his part, Wen Jiabao looked forward to closer ties between China and Ghana, based on the exchange of more

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high-level visits, an expansion of trade and economic co-operation (especially in agriculture, textiles, infrastructural construction and telecommunications), closer co-operation in health, education, culture and tourism, and closer consultation in international affairs (XHNA, 19 June).

The two sides signed a number of co-operation documents. They included the provision by China of an interest-free loan of US$4 million for economic and technical co-operation in areas yet to be specified; and of a concessional loan of "about US$30 million for the National Communications Backbone project" (*Ibid.* and Radio Ghana, 19 June).

From Accra, Wen flew to Brazzaville (19 June), where he met leaders and senior officials of the government of the Republic of the Congo, including President Sassou-Nguesso and Prime Minister Isidore Mvouba. Both the Chinese Premier and Sassou-Nguesso spoke with satisfaction of the development of relations between their countries since the establishment of diplomatic ties in 1965. The Congolese President hailed the establishment of a "strategic partnership" with China as the "inevitable choice of the Congo," reflecting the two sides' identical stance on many international issues. The two men exchanged views on the situation in Africa.

A joint communiqué issued by the two sides contained an undertaking to work towards closer co-operation in agriculture, energy, telecommunications, transport and the development of human resources – all areas in which there existed huge potential for collaboration. It also spoke of the two sides' desire to work more closely together in international affairs. An agreement on economic and technological co-operation was one of a number of co-operation documents that were signed.

On 20 June, the Chinese Premier arrived in Luanda for a two-day official visit to Angola at the invitation of President Jose Eduardo dos Santos. In his talks with dos Santos the same day, he referred to the "remarkable success" made by China and Angola in promoting trade and economic co-operation in recent years. The outcome was that Angola had become China's second-largest African trading partner, with Chinese enterprises taking an active part in Angola's economic development. The Chinese government looked forward to the further expansion of such co-operative activities, especially in infrastructure, telecommunications and – perhaps above all – energy. Dos Santos was at pains to encourage the further involvement of Chinese enterprise in his country's reconstruction efforts. The two sides later signed a number of co-operation documents in economic, technological, judicial, health and agricultural fields. It was revealed that Angola was to establish a consulate general in the Macao Special Administrative Region (XHNA, 21 June, which also carries the full text of the Sino-Angolan joint communiqué).

In Cape Town (21 June), representatives of China and South Africa signed the "Sino-South African Programme of Co-operation on

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Deepening Strategic Partnership'' and 12 agreements on co-operation over a wide range of activities, including politics, trade and economic development, national defence, science and technology. Wen Jiabao insisted that far from pursuing self-interest through it activities in Africa, China's intentions were to uphold ''equality and mutual benefit.'' He noted that the Chinese government was involved in over 900 infrastructural projects throughout Africa, and had sent some 16,000 doctors to African countries (XHNA, 21 June; see also Wen Jiabao, quoted in XHNA, 22 June). During his South African visit, Wen also met Deputy President Phumzile Mlambo-Ngcuka.

Both sides regarded the Sino-South African Programme of Co-operation as a document of historic significance and hoped that it would facilitate the accelerated development of relations between China and South Africa. To this end, the Programme looked forward to forging closer political ties, strengthening trade and economic co-operation, and achieving greater co-ordination in regional and international affairs within the framework of the UN and global trade and financial systems.

The penultimate leg of the prime ministerial African tour took Wen to Dar Es Salaam, where he held talks with the Tanzanian President, Jakaya Mrisho Kikwete. He described Sino-Tanzanian relations as being ''in excellent shape'' and hoped that closer political and economic co-operation would further enhance bilateral ties. These were view with which Kikwete readily concurred. The two men later witnessed the signing ceremony of bilateral co-operation documents, including an inter-governmental agreement on economic and technological co-operation (XHNA, 23 June).

Wen Jiabao's final destination was Kampala, where he held talks with the Ugandan President (Yoweri Museveni). Their discussions were reported to have generated a broad consensus on a range of bilateral, regional and international issues. The two sides signed six agreements on trade, agriculture and economic development, education and technology (XHNA, 23 June, which also carries the full text of the two sides' joint communiqué).

(For a comment of the Chinese Premier's African tour, see XHNA, 25 June.)

(b) Countries, Territories and Regions

Africa (Nigeria, Senegal)

It was announced in Lagos on 8 May that China was to invest US$267 million to facilitate the establishment of the first phase of the Lekki Free Trade Zone (FTZ) in the Nigerian capital. The FTZ was the first of its kind even built by China abroad, and symbolized the Chinese business sector's determination to implement a '''go abroad' development strategy.''

The status of the Lekki FTZ was that of a Chinese-Nigerian joint venture project, in which China's ''CCECC-Beyond International

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Investment & Development Co. Ltd." held 60 per cent of shares, and Nigeria's Lekki Global Investment Co. Ltd., the remaining 40 per cent. Construction would take place in three phases. Completion of Phase I would see the establishment of an industrial park, based on light industry, textiles, building materials, household electric appliances, communications, machine processing and real estate construction. The second and third phases would facilitate the extension of the project to embrace heavy-industry manufacturing, chemicals, oil processing, pharmaceuticals, automobiles, logistics, import/export businesses, deep-water port, tourism, real estate, education, banking and finance (XHNA, 12 May).

Following the restoration, in October 2005, of diplomatic relations between China and Senegal, in June the Senegalese President (Abdoulaye Wade) made a six-day state visit to China. In Beijing, he met Hu Jintao, Wu Bangguo and Jia Qinglin, with whom he discussed bilateral relations. Hu told Wade of the Chinese government's willingness to strengthen co-operation with Senegal, especially in agriculture, resource development and infrastructural construction (XHNA, 22 June). Wade later visited Shenzhen Special Economic Zone.

Japan

It was announced that on 1 April the Japanese Foreign Ministry had officially inaugurated a Japan–China Economic Office. The new body would assume "special responsibilities" for consultations on bilateral economic and trade issues, as well as formulating economic strategies vis-à-vis China. Xinhua commented that the institutional initiative was designed "to meet the rapidly changing Japan–China economic relations, further strengthen co-ordination of economic and trade issues between the two countries, … [and] handle and solve problems and contradictions arising in the two countries' economic and trade exchanges … [in order] to reduce to a minimum the unfavourable impacts of the difficult situation in Japan–China relations on the economy" (XHNA, 1 Apr.).

ZTS from Hong Kong reported that the fifth round of consultations between Hu Zhengyue (Director-General of the Chinese Foreign Ministry's Department of Asian Affairs) and Kenichiro Sasae (Director-General of the Japanese Foreign Ministry's Asian and Oceanian Affairs Bureau) on the East China Sea issue. The two sides acknowledged the usefulness of the talks, but conceded that their positions on the issue remained "relatively wide." It was agreed that further discussions should take place in Beijing at the earliest opportunity (*ZTS*, 18 May).

On 29 May Bo Xilai (Minister of Commerce) met the Japanese Minister of Economy, Trade and Industry (Toshihiro Nikai) in Kyoto. The two men reached an agreement on formulating a plan "to sign investment-related laws, etc, involving a medium- to long-term economic and trade programme." It was reported that Chinese and

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Japanese representatives would also hold talks in June to discuss oil development in the East China Sea and other economic and trade issues. Bo Xilai was quoted as saying that his talks with Nikai had focused mainly on bilateral trade and the implications of rising oil prices. He spoke of the importance attached by the Chinese government to trade and economic co-operation between China and Japan, but also acknowledged the dampening effect on economic relations of the "cold political situation" – a situation which he insisted had been brought about by actions of Japan, not China. The impact of the failure to resolve outstanding political differences was highlighted in the fact that in 2005 Japan's share of China's total trade had fallen – a process that was expected to continue in 2006 (*ZTS*, 29 May; see also Bo Xilai's interview with Japanese media representative, reported by XHNA, 2 June).

On 23 June the Chinese Vice-Foreign Minister (Wu Dawei) and Japanese Ambassador to China (Yuji Miyamoto) signed a document for the provision of Japanese yen loans to China in fiscal year 2005. The loans were worth 74.798 billion yen and would be used for the implementation of 10 projects, embracing environment protection, human resource development and education.

Latin America (Mexico)

The foreign ministers of China and Mexico – Li Zhaoxing and Luis Ernesto Derbez – attended the second meeting of the China–Mexico Permanent Bi-national Commission in Mexico City during 18–19 May. The objective of the meeting was to review progress in diplomacy and trade during the last five years. Li noted that China and Mexico had become "great trading partners" and spoke of the further potential for an expansion of bilateral co-operation. Following the meeting, the two sides signed a number of agreements on bilateral co-operation, including a "Joint Action Programme, 2006–2010." Li also met President Vicente Fox during his visit (XHNA, 18–19 May).

Following his stay in Mexico, the Chinese Foreign Minister visited the Bahamas, Kuwait, Qatar, the United Arab Emirates and Bahrain (see also XHNA, 21 and 23 May).

Middle East and North Africa (Yemen, Tunisia, Palestinian Entity)

In April, the Yemeni President, Ali Abdullah Salih, led a ministerial delegation to China. In a meeting with Salih, Hu Jintao spoke of the Chinese government's determination to strengthen trade and energy co-operation with Yemen. Salih welcomed Hu's remarks and noted that the value of two-way trade had reached US$3.5 billion in 2005, representing an annual increase of 67.8 per cent. Later, the two men attended a signing ceremony of eight co-operation agreements worth some US$1.5 billion (XHNA, 9 Apr.).

Hu also hoped for closer co-operation between the two countries in international and regional affairs. He called for intensified dialogue

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between relevant parties in order to ease tensions in the Middle East and Gulf region, and undertook that China would work with all Arab nations and other countries in order to facilitate regional stability and development (XHNA, 6 and 7 Apr.).

On 11 May the visiting Tunisian Foreign Minister (Abdelouahab Abdallah) held talks in Beijing with his Chinese counterpart, Li Zhaoxing. Li told Abdallah that China would increase its co-operation with Tunisia in order to strengthen bilateral relations.

The Palestinian Foreign Minister (Mahmud al-Zahhar) travelled to Beijing, where (31 May) he attended the second ministerial meeting of the China-Arab Co-operation Forum, co-chaired by Li Zhaoxing and Muhammad (Minister of State for Foreign Affairs of the United Arab Emirates). Al-Zahhar expressed his people's gratitude for China's support and praised the "serious and positive attitude" it had shown in seeking a "just solution" to the Palestinian issue (XHNA, 31 May).

Tang Jiaxuan (State Councillor and former Foreign Minister) pledged the Chinese government's support for Arab states' peace initiatives and reaffirmed its determination that a Middle East should be found through negotiations "on the basis of relevant UN resolutions and the principle of land for peace." He said that the China-Arab Co-operation Forum had established itself as an important mechanism for strengthening dialogue between China and Arab states (*ibid.*; see also Li Zhaoxing in XHNA, 1 June, and Cairo, MENA, 1 June for an Arab perspective on the significance of the Forum).

Hu Jintao later met with Muhammad Husayn al-Sha'ali and the heads of the Arab delegations attending the Beijing meeting.

On 1 June, Li Zhaoxing met with Mahmud al-Zahhar, with whom he exchanged views on bilateral relations and regional issues (especially the situation in Palestine and the Middle East).

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

On 30 May Wen Jiabao held talks in Beijing with the North Korean Foreign Minister, Paek Nam-sun. DPRK's news agency, KCNA, stated that the discussions had taken place in a "comradely and friendly atmosphere" and had focused on bilateral relations and international issues (KCNA, 31 May).

The following month (26 June) saw the arrival in Beijing of Ban Ki-moon (South Korea's Minister of Foreign Affairs and Trade) for a two-day working visit. Talks between Ban and his Chinese counterpart (Li Zhaoxing) generated agreement that the "North Korean missile crisis" should not be allowed to affect peace and stability on the Korean Peninsula. They also agreed that China and South Korea should seek to resolve the crisis through dialogue and co-operation, though Li was quoted as saying that "[t]he situation has become more difficult as a new problem has emerged amid the stalled six-way talks. China has expressed concern over the matter to North Korea and

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other related countries'' (Seoul, Yonhap News Agency, 27 June). Ban also met State Councillor and former Chinese Foreign Minister, Tang Jiaxuan.

Russia and Central Asia (Turkmenistan, Georgia, Kazakhstan, Russia, Kyrgyzstan; Shanghai Co-operation Organization (SCO))

During a visit to China in April, the President of Turkmenistan (Saparmyrat Nyyazow) held talks with Hu Jintao. The two sides signed a framework agreement on oil and natural gas co-operation whereby up to 30 billion cubic metres of gas would be supplied to China annually. Other documents signed by the two sides included agreements on the provision of Chinese credits, and on co-operation in combating ''terrorism, separatism and extremism'' (Moscow, ITAR-TASS, 3 Apr.; see also XHNA, 4 Apr.).

On 10 April the President of Georgia (Mikheil Saakashvili) arrived in Beijing for his first official state visit to China. Before his departure, Saakashvili spoke of the great importance which the Georgian government attached to relations with China. He also highlighted Georgia's role as a transport hub on the Silk Road and the bridgehead for Chinese goods destined for Europe.

In his meeting with Saakashvili, Hu Jintao presented a four-point proposal, intended to forge closer ties between China and Georgia. They embraced strengthening high-level exchanges in order to ''deepen political trust'' through dialogue and consultation; enhancing reciprocal economic co-operation (especially in agriculture, machine manufacturing, traffic and transportation, telecommunications and infrastructural construction); stepping up cultural, educational, health exchanges; and intensifying co-operation on international issues (e.g., the UN, combating terrorism and cross-border crime) (XHNA, 11 Apr.). A Georgian source revealed that agreement was also reached on the provision by China of a grant of US$2.5 million to Georgia (Tbilsi, Kavkas-Press, 11 Apr.).

The Kazakhstan Foreign Minister (Kasymzhomart Kemel-uly Tokayev) visited China between 11 and 13 April and held talks with his Chinese counterpart, Li Zhaoxing. Both men reaffirmed their governments' determination to strengthen bilateral relations in accordance with the spirit of the strategic partnership established in 2005. In addition to bilateral relations, they discussed regional and international issues of shared concern (XHNA, 12 Apr.).

Tokayev revealed that China and Kazakhstan were engaged in negotiations for the laying of a natural gas pipeline between the two countries, with an annual capacity of 20 million tons. He noted that the value of two-way trade had risen from US$1.95 billion (2002) to $6.8 billion in 2005.

In a meeting with the Russian Foreign Minister (Sergey Lavrov), who was in Beijing to attend a foreign ministerial meeting of the member states of the Shanghai Co-operation Organization (SCO), Hu Jintao said that conditions favoured the further growth of

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Sino-Russian relations and expressed the hope that China and Russia would strengthen their co-operation in "big projects." He looked forward too to maintaining co-operation in regional and international affairs (including the work of the SCO, whose summit would take place in June 2006). Lavrov also held talks with his Chinese counterpart, Li Zhaoxing.

The Kyrgyz President, Kurmanbek Bakiyev, made a state visit to China on 9–10 June. His talks with Hu Jintao and Wen Jiabao focused on bilateral relations, and regional and international issues of common concern. In a speech to a China–Kyrgyzstan economic and trade forum, Bakiyev expressed Kyrgyzstan's willingness to supply electricity to western China. He also called on Chinese electricity companies to supply equipment to Kyrgyzstan and contribute to the development of its power grid system. The potential impact of closer energy relations was highlighted in the fact that Kyrgyzstan possessed the third largest hydropower resource supply among all members of the Commonwealth of Independent States (CIS), only 10 per cent of which had so far been tapped in 2005, the value of bilateral trade was US$970 million (XHNA, 10 June).

The first meeting of Parliamentary Speakers of Shanghai Co-operation Organization (SCO) member states took place in Moscow on 30 May. Addressing the meeting, Wu Bangguo (Chairman of the NPS Standing Committee), spoke enthusiastically of the achievements of SCO during the previous five years achievements that embraced trade, economic co-operation and security to the benefit of all countries in the region. He drew attention to the importance which SCO members had always attached to "the building of mechanisms" in order to facilitate the expansion of inter-member state relations over their entire range. It was clear, he said, that continuing progress in these regards demanded closer co-operation between the parliaments of SCO members. With this in mind, Wu called for inter-parliamentary co-operation, using "flexible and diverse co-operation methods," in order to facilitate the implementation of SCO agreements and ensure the continued progress of SCO activities (XHNA, 30 May, which also carries the full text of the SCO Parliamentary Leaders' joint Statement).

On 15 June, the latest summit meeting of the Shanghai Co-operation Organization opened in Shanghai to celebrate the fifth anniversary of the founding of the regional body. Hu Jintao presided over the meeting, which was also attended by the Presidents of the other five member countries – Vladimir Putin (Russia), Nursultan Nazarbayev (Kazakhstan), Kurmanbek Bakiyev (Kyrgyzstan), Emomali Rakhmonov (Tajikistan) and Islam Karimov (Uzbekistan) – and, as observers, the Presidents of Iran (Mahmud Ahmadinezhad), Mongolia (Nambaryn Enkhbayar) and Pakistan (Pervez Musharraf), as well as the Indian Minister of Petroleum and Natural Gas (Murli Deora).

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Following the summit meeting, SCO members issued a joint communiqué. It stressed the priority task of using the SCO to combat the "three evil forces" of terrorism, separatism and extremism. In line with this, it contained undertakings "not to join any alliance or international organization that undermines the sovereignty, security and territorial integrity of SCO member states … [and not to] allow their territories to be used to undermine the sovereignty, security or territorial integrity of other member states … [and to] prohibit activities by organizations or gangs in their territories that are detrimental to the interests of other member states." To these ends, the communiqué stated that a "multilateral document of long-term good-neighbourly relations, friendship and co-operation" was being formulated.

SCO members used their declaration to urge the international community to "show respect and understanding to the unique historical and cultural traditions of central Asian nations." At the same time, they called for reform measures to improve the efficiency and strengthen the reactive capacity of the United Nations – the "universal … most representative and authoritative international organization … entrusted with primary responsibility in international affairs … at the core of formulating and implementing the basic norms of international law." They also suggested that the next UN Secretary-General should be someone from Asia (on the SCO Summit, see also *RMRB*, 15 June and XHNA, 16 June).

A Xinhua commentary hailed the success of the SCO Summit and referred to the increasing international importance of the regional body. The sheer scale of SCO membership underlined this importance: member states embraced a land area of more than 30 million sq. km. – about 60 per cent of the Eurasian land mass – with a population of 1.489 billion (almost a quarter of global population).

At the present time, SCO members were engaged in 127 joint projects in trade, investment, customs, finance, taxation, transportation, energy, agriculture, technology, telecommunications, environment, health and education. Specialist panels in customs, transportation, energy and telecommunications had also been established in order to co-ordinate such activities among SCO member states. On the basis of such co-operation, the intention was to institute the free flow among SCO members of goods, service, capital and technology by 2020.

Not the least important dimensions of SCO activities were those related to defence and security. Anti-terrorist military exercises had already been held and another – the largest to date – would take place in Russia in 2007. Measures had also been taken to combat "non-traditional security threats and challenges," such as drug-trafficking, money laundering and the smuggling of weapons across borders. The priority nature of such issues was highlighted in the fact that four out of ten documents signed at the Shanghai Summit were directly related to defence and security (XHNA, 16 June).

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South Asia and Indian Ocean (Afghanistan, India)

On 18 June, the President of the Islamic Republic of Afghanistan (Hamed Karzai) arrived in Beijing for a four-day state visit to China. His talks with Hu Jintao focused on issues related to security co-operation, as well as other aspects of bilateral relations. Hu noted that relations between China and Afghanistan had progressed well since the establishment of the new government in Kabul, and he reaffirmed the Chinese government's support of its efforts to "safeguard national independence, sovereignty and territorial integrity, maintain social stability and develop the economy" (including reconstruction efforts). Both men pledged themselves to combating the "three evil forces" of separatism, extremism and terrorism, as well as trans-national criminal activities (XHNA, 19 June).

Xinhua published the full text of the joint statement issued towards the end of Karzai's visit (XHNA, 20 June).

On 26 June, representatives of India and China participated in the eighth round of boundary talks, held in Beijing. The sessions were held in camera. Although few details of the substance of the negotiations emerged, after their inclusion Wen Jiabao was reported as saying that relations between India and China were "in good shape" (XHNA, 26 and 27 June; see also Press Trust of India, 26 June). The next round of talks would take place in New Delhi at a date yet to be announced.

Taiwan [Republic of China]

Xinhua announced that a forum on economic and trade affairs would take place in Beijing on 14–15 April under the auspices of the Chinese Communist and Kuomintang (KMT) Parties. The origins of the meeting lay in the "five common aspiration and prospects" reached by Hu Jintao and Lien Chan – the then KMT Chairman) during Lien's visit to China in April 2005. The forum would focus on issues relating to cross-Strait economic and trade relations and the opening of direct transport links between China and Taiwan. Some 500 people, including Lien Chan, officials of the KMT, the New Party and the People First Party (PFP), business representatives, officials and scholars from both sides of the Taiwan Strait, were expected to participate in the meeting. It was also expected that Lien Chan would meet Hu Jintao during the meeting, and Jia Qinglin (Chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC)) would give a keynote address.

The XHNA report (12 Apr.) noted that more than 50,000 Taiwanese companies had funded 68,000 projects in China, involving contractual investment of more than US$90 billion. The annual value of direct and indirect cross-Strait trade had reached about US$500 billion, making China Taiwan's largest export market (see also XHNA commentary, 13 Apr.).

Before leaving Taipei, Lien Chan (KMT Honorary Chairman) noted that Taiwan's trade and economic performance had fallen

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behind those of South Korea, Hong Kong and Singapore, and said that the purpose of the Forum was to help "revitalize" Taiwan's trade and economy. The complementarity of the Chinese and Taiwanese economies made it sensible to look for ways of strengthening cross-Strait economic co-operation in order to achieve a "win-win situation." He added that while the KMT had made major efforts to improve Taiwan's trade and economic ties with China, the Democratic Progressive Party (DPP) government had failed to contribute to the process, thereby "causing 'a lot of harm' to Taiwan's economy." Lien expressed the hope that his delegation would be able to "act as a bridge in cross-Strait communications and find ways to create another economic miracle for Taiwan" (CNA, 13 Apr.).

In his opening address to the Forum, Jia Qingling spoke of the urgent need for both China and Taiwan to "raise their technological level, change their economic growth pattern and enhance their innovation capacity to develop an innovation-oriented economy," and called for closer cross-Strait co-operation in agriculture, biology, electronics and the information industry, photo-electricity, biology and agriculture. He added that the two sides had "huge co-operative potential in research and development, human resources, and the industrialization of technological achievements" (XHNA, 14 Apr.)

According to Xinhua, Lien Chan agreed with Jia's views. He spoke of the critical potential contribution of Mainland resources to Taiwan's future economic development and its goal of becoming an "island of science and technology … [and global] business … for transport, finance and marketing."

The full text of the "common proposal," adopted by the Forum described the meeting as "another important inter-party event of exchange and dialogue between the CCP and the Chinese Kuomintang." It noted that participants addressed five major issues, as follows:

- the implications of cross-Strait economic and trade relations on China's and Taiwan's economic development under the impact of globalization;
- cross-Strait agricultural exchanges and co-operation;
- the implications of the opening of direct cross-Strait air and shipping services for industrial development strategy and enterprises' global strategies;
- the impact of cross-Strait tourism on each country's economic development;
- cross-Strait financial exchanges and economic development.

Participants agreed that cross-Strait economic exchange and co-operation served the interests of both China and Taiwan and urged that economic relations be strengthened in order to enhance the prosperity of both, as well as help achieve peace and stability across

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the Taiwan Straits. They called for direct air and shipping services to be instituted as soon as possible, and advocated closer agricultural exchanges in line with the complementarity that existed between the two sides' farm sectors. Cross-strait *financial* exchanges should also be stepped up, and efforts should also be made to facilitate access to mainland markets by other tertiary activities in Taiwan (XHNA, 15 Apr.).

On 16 April Lien Chan met Hu Jintao, who offered his congratulations on the successful outcome of the Cross-Strait Economic and Trade Forum. Hu said that the Forum was "an important activity for the two parties to continue exchanges and dialogue." He also insisted that adherence to the "1992 consensus" – the shared belief that Taiwan and the mainland belonged to a single China – remained the vital foundation for cross-Strait peace and development. At a subsequent press conference in Beijing, Lien Chan stated that the KMT had always held the view that "there is only one China in the world with each side of the Taiwan Strait having its own wording for it" and that this stance would never change. He noted that as his recent remarks during a visit to the US indicated, the current KMT Chairman (Ma Ying-jeou) subscribed to this view (XHNA, 16 Apr.; see also *ZXS*, 16 Apr., and, for a critical DPP comment on Lien Chan's visit, CNA, 17 Apr.).

It was announced on 31 May that from 8 June 2006, a new passenger ferry service would be inaugurated between Quanzhou (Fujian province) and Jinmen [Kinmen or Quemoy] in Taiwan (XHNA, 31 May). The following month, 12 aviation organizations – six each in China and Taiwan – were reported to have reached agreement on opening chartered flights during the Qingming, Dragon Boat and Mid-autumn Festivals – these in addition to existing arrangements for such flights during the Spring Festival. Each side would make 84 round-trip flights during the four festivals, of which half would take place at the time of the Spring Festival. Destinations would include Beijing, Shanghai, Guangzhou and Xiamen on the mainland, and Taipei and Kaohsiung in Taiwan (XHNA, 14 June).

United States of America

On 18 April, Hu Jintao arrived in Seattle on the first leg of a five-nation tour that also took him to Saudi Arabia, Morocco, Nigeria and Kenya. In a written statement on his arrival, the Chinese President testified to the favourable momentum of development of Sino-US relations and spoke of the importance of a stable and healthy relationship between the two countries to regional and global stability.

During a tour of Microsoft headquarters near Seattle, Hu noted actions taken by the Chinese government to strengthen its protection of intellectual property rights [IPR] in the areas of legislation and law enforcement. He insisted that China would fulfil the commitments made in terms of IPR protection ("[s]tepping up IPR protection is not

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only a demand for China's opening up wider to the outside world and improvement of investment environment, but also for building up China's own ability of independent innovation and achieving faster and better development'') (*ZXS*, 19 Apr.; for details of Hu's speech at a dinner hosted by the State Governor of Washington, see XHNA, 19 Apr.).

At a meeting with local businessmen (19 April), Hu advocated closer business ties between the US and China. To this end, he made a five-point proposal, in which he called for intensified efforts by the two sides to promote economic development in the Asia-Pacific region and throughout the world; closer co-ordination in upholding international free trade; an expansion in the scope of bilateral co-operation through the opening of ''new channels and areas of co-operation and … [the creation of] new stimulants to boost … business ties;'' greater help and guidance to the Chinese and American business communities in order to facilitate closer co-operation between them; and improve institutional arrangements that would enable emerging problems to be expeditiously addressed (XHNA, 19 Apr. and *ZXS*, 20 Apr.).

Hu also referred to the trade imbalance between China and the US. He said that far from actively seeking to achieve a large bilateral trade surplus, China was making efforts to resolve the imbalance. He gave an undertaking to open even wider the Chinese market to US goods and services, and hoped too that the US would promote the export of US products to China, ''including easing export controls and reducing protectionist measures in the interest of addressing the trade imbalance issue in a better and more effective way.'' On the RMB exchange rate, he insisted that his government had adopted ''a 'highly responsible attitude' in deciding upon an exchange rate regime suitable to its national conditions … and the need to ensure global financial and economic stability.'' He added that China's goal in this regard was ''to maintain the RMB exchange rate basically stable at an adaptive and equilibrium level'' (XHNA, 20 Apr.).

Following his arrival in Washington DC, on 20 April Hu Jintao held ''pragmatic … constructive'' talks with US President George W. Bush. The two men exchanged views on bilateral relations, as well as major international and regional issues of shared concern, and reached an ''important consensus.'' Hu spoke with satisfaction of the momentum of development of relations between the two countries, and noted that they had maintained effective consultations and co-ordination on major regional and international issues. He made the familiar point that China and the United States had ''extensive and important common strategic interests in and shoulder[ed] common responsibilities for safeguarding world peace.'' Bush echoed Hu's remarks, and in a reference to China's increasing international status acknowledged that it had become a ''key partner in safeguarding world peace.''

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In response to the Chinese President's insistence on the need to oppose Taiwan independence and the importance of upholding the one-China policy, Bush said that the US government's position on Taiwan remained unchanged ("the United States will stick to the one-China policy, understands China's concern on this issue and does not want to see unilateral actions taken by the Taiwan authorities in their bid to change the status quo across the strait hurt US–China relations").

Later the same day at a dinner, Hu Jintao put forward a six-point proposal on the further development of ties between China and the United States. They were:

- to increase understanding, expand common ground and build a long-term and stable constructive and co-operative relationship between the two sides;
- as conditions permitted, to consolidate and strengthen the foundation for bilateral economic co-operation and trade;
- to adhere to the principle, honour the commitment and properly handle the Taiwan issue in accordance with the three Joint communiqués signed by China and the US (for an official Taiwanese response, see CNA, 21 Apr.);
- to maintain and strengthen consultation and co-ordination on major international and regional issues;
- to strengthen friendly exchanges between the peoples of China and the US;
- with due mutual respect and treating each other as equals, to view differences between the two countries "in a proper context" and to manage them properly (the full text of Hu's speech can be found in XHNA, 20 Apr.).

Western and Southern Europe (Lithuania, Finland, German; European Union (EU))

In April the Lithuanian Foreign Minister (Antanas Valionis) travelled to China at the invitation of Li Zhaoxing. In Beijing he held talks with Li and Vice-President Zeng Qinghong. The two sides spoke of their desire to strengthen economic and other forms of co-operation.

Later the same month, the Finnish Prime Minister (Matti Vanhanen) arrived in Beijing for talks with Wen Jiabao, Wu Bangguo and other senior Chinese government officials. Their discussions focused on bilateral relations, but also ranged across regional and international issues.

The following month, the German Chancellor (Angela Merkel) visited China, where she held talks with Chinese leaders on bilateral relations, as well as regional and international issues. On behalf of her government, Merkel undertook to strengthen efforts to establish even closer trade relations between Germany and China (the value of

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two-way trade was US$63.2 billion in 2005, or almost one-third of total trade between China and the EU).

Also in May, the foreign ministers of the Irish Republic (Dermot Ahern) and Denmark (Per Stig Moeller) visited China and held talks with Premier Wen Jiabao, Li Zhaoxing and other senior Chinese government officials on bilateral relations and other issues of common concern.

(c) International Organizations and International Meetings (UN, Boao Forum for Asia (BFA), Asia Co-operation Dialogue (SCD), Conference on Interaction and Confidence-Building Measures in Asia (CICA))

Following a visit to South Korea, on 19 May the UN Secretary-General (Kofi Annan) arrived in Beijing for a five-day official visit to China – his seventh – as guest of the Chinese government. During his visit, Annan met Hu Jintao, Wen Jiabao and State Councillor – and former Foreign Minister – Tang Jiaxuan, with whom he discussed regional and international issues of common interest, as well as the role and reform of the United Nations.

The Boao Forum for Asia Annual Meeting (2006) was held in Hainan on 22–23 April under the theme of "Seize New Opportunities in Asia and Work for a Better Future of the World Boao." At the opening session, Vice-President Zeng Qinghong made a keynote speech (full text in XHNA, 22 Apr.).

Zeng spoke of BFA's commitment to "serving Asia and opening to the world," and noted that since its establishment in 2001, it had already become a forum for the exchange of views among political, business and academic representatives throughout Asia. His review of Asian development highlighted the positive impact of market-orientated economic restructuring and industrial development that had taken place in the region. The outcome had been both to enhance regional co-operation and make Asia one of the most dynamic regions in the world.

Zeng was at pains to emphasize the Chinese government's commitment to harmonious and sustainable development during its new Five-Year Plan (2006–2010) ("[t]his is what China's peaceful development is about"). Inherent in this commitment was also a determination that China should strengthen and forge closer relations with its Asian neighbours. To this end, it would take a full part in intra-regional co-operation and seek ways of achieving development outcomes that served the interests of all Asian countries (XHNA, 22 Apr.; see also XHNA, 23 Apr. and *RMRB* website, 22 Apr.).

On 23–24 May, the fifth ministerial meeting of the Asia Co-operation Dialogue (ACD) took place in Doha (Qatar). Li Zhaoxing headed the Chinese delegation that attended the meeting, alongside representatives from another 27 ACD member states. There was unanimous endorsement of the role of ACD as the sole channel for

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energy co-operation among members, and as the sole vehicle for inter-governmental dialogue and co-operation in Asia (XHNA, 24 May).

On 17 June Hu Jintao travelled to Almaty (Kazakhstan), where he attended the second summit of the Conference on Interaction and Confidence-Building Measures in Asia (CICA) – a forum, embracing 17 member states and nine observer states, designed to enhance security in Asia. In a speech at the one-day summit he called on Asian countries to increase mutual trust and enhance co-ordination in order to create a "new type of security architecture" (XHNA, 17 June).

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