

## **Business and Politics in Muslim World**

### **China**

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**7<sup>th</sup> to 13<sup>th</sup> February 2010**

**Presentation Date: 17<sup>th</sup> February 2010**

## **REPORT No. 106:**

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## **National report**

### **Political front**

- China publishes Chairman Mao's manuscripts on military (7<sup>th</sup> February)

China has published Chairman Mao Zedong's manuscripts on military theory and strategies and national defense, part of which were made public for the first time.

The book, in three volumes, was distributed across China Sunday. The 821 manuscripts included Chairman Mao's telegraphs, instructions, speeches, talks, letters and inscriptions on military topics, among which 91 had not been released before.

Compiled by the Party Literature Research Center of the Communist Party of China (CPC) Central Committee and the People's Liberation Army (PLA) Academy of Military Sciences, the book reflected Chairman Mao's thoughts on modernizing national defense and building the military after the founding of the People's Republic of China (PRC) in 1949.

- CPC calls on members to strengthen learning (9<sup>th</sup> February)

The Communist Party of China (CPC) Central Committee Monday called on its members to strengthen learning Marxist theories and various fields of knowledge as required by the country's modernization drive.

A circular issued by the General Office of the CPC Central Committee said, "Be it a country, a nation or a party, if it does not strengthen study or enhance the learning ability, it will certainly be left behind by the time."

It said as China has entered a new development stage, new problems will constantly emerge and "there are many things that we are not familiar with, or do not understand."

It called on CPC members to deeply learn the Marxist theories, the Party's guideline principles, policies, history, and the country's laws and regulations, as well as various kinds of knowledge that would be useful in the modernization drive.

It said efforts should be made to study the Scientific Outlook on Development, the core of policies of the leadership which has been enshrined in the Party's constitution and stresses a comprehensive, balanced and sustainable development that is people-oriented.

- China's top legislature to convene new meeting, preparing for plenum (10<sup>th</sup> February)

China's top legislature will convene its bimonthly session from Feb. 24 to 26, making a final preparation for an annual full session next month.

According to a statement of a meeting, presided over by top legislator Wu Bangguo Wednesday, an important task at the three-day session late this month is to prepare for the upcoming Third Plenum of the 11th National People's Congress (NPC), scheduled to open on March 5.

Lawmakers at the February session will deliberate a draft report on the work of the 11th NPC Standing Committee, the draft agenda of the third 11th NPC session, the draft of the name list for presidium and secretary-general, and the draft of the name list for non-voting delegates to the plenary session in March.

They will also continue to review the draft law on mobilization for national defence, as well as a draft amendment to the law on keeping state secrets.

The draft amendments to the Administrative Supervision Law and the Copyright Law will also be submitted by the State Council to the legislative session for discussion, according to the statement.

They will also discuss a consular agreement with the Philippines and a report on the inspection of the enforcement of the Food Safety Law, as well as a motion regarding appointments and dismissals.

- Official says "very essential" to open ARATS, SEF offices across Taiwan Strait (10<sup>th</sup> February)

It is "very essential" for the mainland's Association for Relations Across the Taiwan Straits (ARATS) and Taiwan's Straits Exchange Foundation (SEF) to open offices on each other's side, a mainland official said Wednesday.

"The anticipated offices will help handle issues during cross-Strait exchanges and properly safeguard legitimate rights and interests of the people on the mainland and Taiwan," Fan Liqing, spokeswoman of the State Council Taiwan Affairs Office, said at a press conference.

The ARATS and the SEF are respectively authorized by authorities in the mainland and Taiwan to handle cross-Strait issues. Fan said such issues would gradually increase along with the progress of cross-Strait exchanges following the realization of direct air and sea transport links and postal services.

She said it was necessary for media organizations of the mainland and Taiwan to set up resident offices on each other's side, which was "required for cross-Strait media interview activities to run smoothly" and "would help the development of cross-Strait relations".

"We hope the two sides will work together to set up offices as soon as possible," she said. Fan also said the mainland and Taiwan were preparing for the opening of tourism representative offices on each other's side while the exact schedule would depend on mutual negotiation.

"Tourism representative offices will promote the common development of tourism industries on both sides," she said.

The scheduled target of 600,000 mainland tourists to Taiwan for 2009 had been achieved, and the daily average number of mainland tourists was expected to exceed 4,000 during the upcoming Spring Festival holiday, she said.

Spring Festival, or the Lunar New Year, falls on Feb. 14 this year, and most mainlanders will have a weeklong vacation starting from Feb. 13, the eve of the lunar new year.

In response to a question concerning the United States' planned arms sales to Taiwan, Fan said U.S. decision "ran contrary to the favorable development of cross-Strait relations".

"The arms sales to Taiwan will do no good for peace and stability of the Taiwan Strait, or the long-term, overall interests of the Chinese nation that includes Taiwan compatriots," she said.

Fan said the mainland hoped telecommunications companies of the two sides would cooperate in laying submarine cables and offering better telecom services for the people on both sides of the Strait.



Using Southern Fujian dialect, which is also spoken by most of the people in Taiwan, Fan wished Taiwan compatriots "a lucky, peaceful and happy new year of the tiger" at the press conference.

- Senior leader highlights China's anti-corruption campaign (10<sup>th</sup> February)

Senior Chinese leader He Guoqiang has stressed the country's determination and efforts in fighting corruption in a lengthy report published Tuesday, saying current anti-graft situation was still "grave."

"While fully acknowledging the achievements, we should see clearly that many problems still exist in our fight against corruption... the situation is still grave and the task is arduous," He said.

He, a member of the Standing Committee of the Communist Party of China (CPC) Central Committee Political Bureau, noted that the main missions for the new year included intensified crackdown on cases concerning officials' power abuse, embezzlement, bribery and dereliction of duty.

He said the country would also step up campaigns against officials' extravagant behaviors in the new year.

Figures from the report show that local party and government departments saved a total of 15.8 billion yuan (2.31 billion U.S. dollars) by reducing expenses in travels, vehicles purchase and food and accommodation.

Party and government officials' spending on overseas business trips dropped 37.6 percent compared with the average figure of the past three years.

Also, as of November, a total of 22,884 "small coffers" illegally held by Party and government officials worth 10.16 billion yuan (1.49 billion U.S. dollars), had been uncovered since a campaign was launched in last June.

He also urged improving the regulations on party members and officials' declaring personal information for the country's upcoming anti-graft moves, saying that housing, investment, employment of their spouses and children should also be included in the information list.

He said that officials who refuse to declare their properties should be severely dealt with. The report was first delivered on Jan. 11 at a plenary session held by the Communist Party of China (CPC) Central Commission for Discipline Inspection (CCDI), the party's internal anti-graft body.

He, head of commission, urged officials to carefully study and implement President Hu Jintao's speech on anti-corruption at the meeting.

Hu said at the session that efforts should be made to investigate cases of power abuse, corruption and embezzlement as well as dereliction of duty.

Hu pledged to push forward the construction of anti-corruption procedures, with confidence, determination, forceful measures and a solid working style.

- Chinese officials' overseas trips down 45 percent in 2009 (11<sup>th</sup> February)

China's drive to curb overseas trips by officials using public money has significantly cut the number of such trips in 2009, the National Bureau of Corruption Prevention (NBCP) said in a report on its website.

In 2009, government and Communist Party of China (CPC) officials went on 123,553 overseas trips in 33,507 groups on public funds, down 45.5 percent and 49 percent,

respectively, from the average of the previous three years, according to the report released Tuesday.

The cost of the trips was 37.6 percent, or 1.63 billion yuan (238.67 million U.S. dollars), less than the average of the previous three years.

China will continue its drive to strictly curb and appropriately reduce public-funded overseas trips by officials, and will seek to establish a permanent mechanism to prevent public funds from being abused for sightseeing, the report said.

The government will control the total number of public-funded overseas trips by incorporating the expense of the trips into its budget and by applying a stricter approval system, the report said.

Officials who violated the regulation will be severely punished, with their cases being made public so other officials will learn a lesson, the report said.

The report did not elaborate on how severe the punishment could be.

- Chinese president calls for non-communist parties' role in achieving 2010 development goals (11<sup>th</sup> February)

Chinese President Hu Jintao on Wednesday urged the role of non-communist parties and personages in helping achieve the national goal for social and economic development in the new year.

We must rely on all Chinese people, including various democratic parties, societies, ethnic groups and people from all walks of life and in different strata to achieve this year's goal for economic and social development," said Hu at a symposium here Wednesday to mark the Spring Festival, or Chinese Lunar New Year, which falls on Feb. 14 this year.

At the event, Hu extended New Year's greetings and best wishes to all people from the non-communist parties and the All-China Federation of Industry and Commerce and those without party affiliations.

Hu expressed appreciation for their hard work last year as they offered valuable suggestions for coping with the financial crisis and maintaining stable and relatively fast economic growth, urging them to continue giving such suggestions.

Non-communist parties' leaders at the gathering gave opinions on various issues including the transformation of the economic growth mode, expansion of private investment, development of ethnic regions, compulsory education in rural areas and economic and cultural exchanges between the mainland and Taiwan, among others.

The meeting was chaired by Jia Qinglin, chairman of the National Committee of the Chinese People's Political Consultative Conference.

- Mainland Taiwan affairs chief says cross-Strait relations to steadily improve (11<sup>th</sup> February)

The year 2010 would be marked by the steady development of cross-Strait relations, said the Chinese mainland's Taiwan affairs chief Wang Yi Thursday.

Wang, director of the Taiwan Work Office of the Communist Party of China (CPC) Central Committee, extended festival greetings to Taiwan compatriots for the upcoming Spring Festival Thursday via [www.chinataiwan.org](http://www.chinataiwan.org).

The mainland would deepen cooperation with Taiwan this year, he said, adding that a key task at present was negotiating an economic pact with the island.

Cross-Strait relations realized a "historic transition" in 2008, and ties had been "comprehensively improved" last year, he said.

Wang said the mainland is ready to further enhance mutual trust, expand exchanges, improve current policies and measures, so as to enable more grass-root people to benefit from the development of cross-Strait relations.

Wang expressed confidence in the prospect of the continual strengthening of cross-Strait ties in his speech.

Promoting peaceful development of the relations and enhancing exchanges and cooperation between the two sides was the consensus of compatriots from both sides of the Taiwan Strait, he said.

"History will prove that Chinese on both sides of the Strait have the capability and wisdom to solve the problems between the sides."

If people either side of the Strait reach out to one another, they would remove obstacles between them and help improve cross-Strait relations, he concluded.

Chinese will celebrate the Spring Festival, or the Lunar New Year's Day on Sunday.

- State leaders extend Spring Festival greetings to nation (12<sup>th</sup> February)

Chinese leaders on Friday offered their Spring Festival greetings to people across the nation at a gathering to mark the incoming Lunar New Year.

President Hu Jintao, top legislator Wu Bangguo, Premier Wen Jiabao and top political advisor Jia Qinglin attended the gathering, held by the Central Committee of the Communist Party of China (CPC) and the State Council at the Great Hall of the People in Beijing.

Other leaders including Li Changchun, Xi Jinping, Li Keqiang, He Guoqiang and Zhou Yongkang also attended the gathering.

The Spring Festival, or the Chinese Lunar New Year, is the most important traditional festival for family reunion in China. It falls on Feb. 14 this year, and the weeklong holiday kicks off Saturday, or the eve of the Spring Festival.

## **Foreign relations**

- Premier Wen says China-Japan ties at crucial stage, urges mutual trust (7<sup>th</sup> February)

Chinese Premier Wen Jiabao said Sunday that China-Japan ties are at a crucial stage, urging the two countries to enhance mutual trust and step up dialogue and cooperation in all spheres.

"In the first decade of this century, China and Japan have taken an important step towards the goal of a strategic and mutually beneficial relationship after undergoing twists and turns," said Wen in his congratulatory letter to a meeting on China-Japan friendship.

The first meeting of the fifth 21st Century Committee for China-Japan Friendship, an advisory body for the two governments, opened in Beijing on Sunday to discuss various dimensions of China-Japan relations and provide policy suggestions to the two governments.

The committee, with Tang Jiaxuan, a former state councilor, and Taizo Nishimuro, Tokyo Stock Exchange (TSE) president, as chairs of the two sides, is holding a three-day meeting.

"At the crucial stage of bilateral relations, I hope the members from both sides will work closely and come up with valuable suggestions to contribute to the long-term friendship and common prosperity," Wen said.

The relations between China and Japan, two important neighboring countries in Asia, have seen stable development since Japanese Prime Minister Yukio Hatoyama took office last September.

Wen said the cooperation between China and Japan will "not only benefit both countries and Asia at large, but also exert positive and profound impact on world political and economic structure" in the face of complex international situation and many grave challenges.

Hatoyama in his congratulatory letter also urged the two countries to beef up understanding and cooperation to build comprehensively their strategic and reciprocal relations.

In his keynote speech at the meeting, Tang Jiaxuan made four proposals on advancing bilateral ties.

Tang proposed that the two countries continue to foster strategic mutual trust, work on the economic relations by highlighting cooperation in environmental protection, low-carbon economy and high-tech, boost cultural exchanges and enhance coordination in international and regional affairs.

He said China-Japan relations still face some problems and challenges that can't be neglected, noting that their political mutual-trust needs to be promoted, their national feelings towards each other need to be improved and some sensitive issues need to be properly handled.

Taizo Nishimuro also made proposals including enhancing political mutual trust, promoting trade liberalization, encouraging cultural exchanges and promoting Asian regional cooperation and world peace.

- Chinese premier urges greater Sino-Japanese cooperation to boost mutual understanding, trust (8<sup>th</sup> February)

Chinese Premier Wen Jiabao urged China and Japan to strengthen exchange and cooperation Monday to boost mutual understanding and trust.

Wen made the remarks while meeting with members of the fifth 21st Century Committee for China-Japan Friendship. The committee, an advisory panel to both nations' governments, convened a meeting in Beijing on Sunday to discuss various aspects of China-Japan relations and to provide suggestions to the two governments.

"The foundation, as well as the hopes for and future of China-Japan friendship, lies in the peoples of the two countries," Wen said.

Stressing that both sides need to take history as a mirror and face the future, Wen said China and Japan should handle relevant issues with the broad situation of Asia and the world in mind, enhance exchange and cooperation and increase mutual understanding and trust, so that the peoples of the two nations can become closer to each other and further develop bilateral ties.

Hailing the committee as the bridge linking the two countries and the two peoples, Wen said he believed the committee would produce fruitful outcomes with the concerted efforts of the two parties.

China's Foreign Minister Yang Jiechi also met with the committee members.

The committee met the press during their first meeting earlier Monday. During the meeting, Chinese chair of the panel Tang Jiaxuan dismissed the notion China's development meant acting "tough" towards others.

"The anxiety over China's being tough is groundless and unnecessary. What's crucial is the actual policies and moves China has taken," Tang said when asked if China will take "tougher" policies vis-a-vis Japan as the two countries' gap in national strength narrows.

Tang said China's achievements over the last six decades have been notable and that the country's gap with Japan has narrowed.

Still, he noted, China's per capita GDP is only 3,700 U.S. dollars, meaning it is not in the top 100 ranking of countries by the measure while Japan's per capita GDP is well over 40,000 U.S. dollars.

China still has 150 million people living in poverty, according to the UN's standard of poverty of living on less than one U.S. dollar a day, Tang noted.

"That means China will remain a developing country for a long time into the future and needs to focus on its own development."

"By tradition, China advocates harmonious relations with neighboring countries. China will stick to a peaceful development path and befriend the peoples of neighboring countries with diplomatic relations and build harmony in Asia and the world at large," Tang said.

- Visit China 2010 officially launched to enhance exchanges, co-op with S Korea (8<sup>th</sup> February)

Visit China Year 2010, a year-long event to enhance various exchanges and cooperation between China and South Korea, was officially inaugurated in Seoul, South Korea's capital city, on Monday.

The year of 2010, during which China will host World Expo 2010 in Shanghai, and the year of 2012, in which a similar event will be hosted in South Korea's southern city of Yeosu, were designated as Visit China Year and Visit Korea Year respectively by Chinese President Hu Jintao and his South Korean counterpart Lee Myung-bak in 2008.

In the congratulatory messages exchanged on the occasion of the New Year celebration in Jan. 1, both two leaders agreed that China and South Korea will enhance coordination and cooperation, pledging to take the Shanghai Expo and Yeosu Expo as an opportunity to push forward the relations between the two countries, and strengthen mutual understanding and friendship between the two peoples.

At the inauguration ceremony, Chairman of China National Tourism Administration (CNTA) Shao Qiwei said in a speech read by its Seoul bureau chief Zhang Xilong, that the year of 2010 is also a World Expo Tourism Year, and China will do its utmost to make both Shanghai World Expo and Guangzhou Asian Game wonderful and successful events.

Shao said he welcomes more South Korean tourists to China in 2010, which will help increase mutual understanding and amity between the two countries.

Chinese ambassador Cheng Yonghua said both Visit China Year and Visit Korea Year, supported by two countries' leaders, are of great significance in the history of China-South Korea relationship. With Visit China 2010 inaugurated, China will stage a range of follow-up events to expand exchanges and cooperation with South Korea in various fields such as politics, economy and culture.

He also hoped that more South Koreans would visit China.

The Seoul's Minister of Culture, Sports and Tourism Yu In-Chon also hailed the event as an important step to promote the relations between the two countries.

Since Beijing and Seoul established diplomatic ties in 1992, the two countries have seen a leap in the development of relations, Yu said, adding that he believed the event would actively promote exchanges between the two sides in the future.

More than 800 South Korean government officials, lawmakers and business figures, and diplomats of various countries attended the ceremony.

The World Expo 2010, with a theme of "Better City, Better Life", will be held during the period from May 1 to Oct. 31 in the eastern Chinese city of Shanghai.

- China dismisses intent for hegemonic role in world affairs (9<sup>th</sup> February)

China on Tuesday rejected speculation that its increased power would prompt the country to seek a leadership or hegemonic role in the world, stressing its path for peaceful development.

"I think neither of your arguments hold water as China has always pursued an independent foreign policy of peace," Foreign Ministry spokesman Ma Zhaoxu told a regular press briefing.

Ma made the comments in response to a reporter's assertion that China's increasingly tougher line in the international arena signified the country's attempt to seek a leadership role in the world.

"We always maintain that nations, big or small, strong or weak, rich or poor, are equal members of the international community," Ma said. "We neither bully other countries nor interfere in their domestic issues."

"We never allow any other country to meddle in China's internal affairs or undermine China's sovereignty or security," Ma said.

Ma said the Chinese people understood the country was still a developing country and had a long way to go before accomplishing modernization.

With its increasing power, China would continue to play a constructive role in international affairs and assume its due responsibilities and duties, Ma said.

"China will stick to the path of peaceful development. Both at present and in the future, China will never seek hegemony," Ma said.

- China-India ties friendly, cooperative: FM spokesman (9<sup>th</sup> February)

A Chinese Foreign Ministry spokesman said Tuesday China and India keep friendly and cooperative relations, dismissing reports that a missile test by India poses a threat to China.

India successfully test-fired a nuclear-capable missile Sunday, which some reports said put China's major cities within its strike range.

Chinese Foreign Ministry spokesman Ma Zhaoxu refused to comment on the reports at a regular news briefing, only saying that China-India relations maintain their good momentum.

"I don't want to interpret or comment on the reports," Ma said.

"The China-India relation is friendly and cooperative. China will not be a threat to India, and nor will India pose a threat to China," Ma added.

"Bilateral ties will move forward with the joint effort of both countries," he said.

- China says it will continue exchanges with NATO (9<sup>th</sup> February)

China said on Tuesday that it would continue to conduct exchanges with NATO "based on a new security outlook".

"China has made some contact with NATO in recent years, and will continue to carry out exchanges with NATO at corresponding levels based on a new security outlook featuring mutual trust, equality and mutual benefit," said Foreign Ministry spokesman Ma Zhaoxu at a regular news briefing.

Ma's remarks came after NATO Secretary General Anders Fogh Rasmussen called on the North Atlantic alliance to turn itself into a global security forum with increased ties with China, India and other rising world powers.

Rasmussen told the annual Munich Security Conference on Sunday that the time has come to "turn NATO into a forum for consultation on worldwide security issues."

"NATO has been moving toward transformation in recent years, and is considering the adoption of a new strategic concept," said Ma. "We hope NATO's transformation and adjustment will benefit peace and stability in the region and the world."

At this year's Munich Security Conference, Chinese Foreign Minister Yang Jiechi was invited to participate and make a speech.

Yang thus became the first Chinese top diplomat to attend the conference, a transatlantic forum mainly attended by representatives from European and American countries.

- China, Japan have opportunity to further develop relations: advisory panel (9<sup>th</sup> February)

China and Japan have the opportunity to further develop their relationship through cooperation in a wide range of areas, an advisory panel on China-Japan relations said here Tuesday.

"Bilateral ties have an opportunity to develop as the two governments attach great importance to bilateral ties and are committed to long-term, stable, friendly, and cooperative relations," the fifth 21st Century Committee for China-Japan Friendship said after their first meeting.

The committee, an advisory panel to both nations' governments, convened a three-day meeting in China beginning Sunday to discuss various aspects of China-Japan relations and to provide suggestions to the two governments.

"Members have discussed bilateral cooperation from a strategic point of view and have reached a fruitful outcome," the Chinese chair of the panel, Tang Jiaxuan, said.

The committee agreed China and Japan should aim for cooperation in the post-financial crisis world and step up partnership in environmental protection and low-carbon business. Chinese members proposed building a recycling economic zone in Caofeidian, in north

China's Hebei province. Telecommunications, bio-medicine, new materials and clean-fuel vehicles are also fields in which the two sides can work together.

Another field for cooperation is culture, the panel said, stressing the importance of exchanges between media professionals and intellectuals in the two countries.

Chinese members hoped visa procedures to enter Japan will be further simplified, young writers will have more opportunity for exchange, and that an arts festival on Buddhism is established.

The committee suggested cooperation in Asian integration, including the building of a financial security network and speeding up research on the setting up of a free trade zone covering China, Japan, and the Republic of Korea.

"Japan is willing to work with China to strengthen mutual cooperation in various fields and improve understanding between peoples of the two countries," said chair of the Japanese side, Tokyo Stock Exchange (TSE) president Taizo Nishimuro.

- China, Nepal to boost law enforcement cooperation (9<sup>th</sup> February)

A senior official with the Communist Party of China (CPC), Zhou Yongkang, proposed stronger law-enforcement cooperation between China and Nepal, according to a statement of the Ministry of Public Security Tuesday.

Zhou, a Standing Committee member of the Political Bureau of the CPC Central Committee, made the remark during a meeting with visiting Nepali Minister for Home Affairs Bhim Bahadur Rawal in the Great Hall of the People in Beijing Monday.

China attaches great importance to China-Nepal law-enforcement cooperation and expects the two countries to deepen pragmatic cooperation and safeguard and promote the regional peace and stability, said Zhou, who is also secretary of the Political and Legislative Affairs Committee of the CPC Central Committee.

China appreciates Nepal's firm adherence to the one-China policy and its prevention of anti-China forces from carrying out separatist activities on its territory, Zhou added.

China is willing to further strengthen communication, coordination and cooperation on the Tibet issue with Nepal, he said.

Rawal said Nepal, which brooks no anti-China separatist forces undermining its friendly relations with China, would like to boost law-enforcement cooperation with China and jointly crack down on crimes on their border areas.

China's Public Security Minister Meng Jianzhu also held talks with Rawal Monday after the latter's meeting with Zhou.

Meng said China's Ministry of Public Security is ready to work with the Nepali Ministry of Home Affairs to implement the consensus reached by their state leaders to enhance bilateral exchanges and cooperation.

Based on the principle of considering the overall situation and looking to the future, Meng expects continuous and healthy development in China-Nepal relations.

Rawal echoed Meng sentiments, reiterating Nepal's willingness to further cooperate with China in law-enforcement.

At the invitation of Meng, Rawal is visiting China from Feb.6-12.

- China to deepen mutually beneficial cooperative ties with Costa Rica: FM spokesman (9<sup>th</sup> February)



China will deepen mutually beneficial cooperative ties with Costa Rica and promote the development of bilateral ties in an all-round manner, a Foreign Ministry spokesman said here Tuesday.

China has taken note of the presidential election in which Costa-Rica's ruling party candidate, Laura Chinchilla, won, spokesman Ma Zhaoxu said at a regular press briefing. "Chinese President Hu Jintao has delivered his congratulations," Ma said, adding that the election proceeded smoothly.

China-Costa Rica relations have developed significantly since the establishment of diplomatic relations in June 2007, Ma said.

He hailed political mutual trust, economic and trade cooperation, cultural and educational exchanges, and cooperation in international affairs.

Laura Chinchilla, thanks to the victory in the Feb. 8 election, will become the first female head of state in Costa-Rican history.

- Regional countries to have good ties with China: U.S. official (9<sup>th</sup> February)  
U.S. Deputy Assistant Secretary of States Scot Marciel said here on Tuesday that "Chinese rapid development has led to increased engagement in the region" and certainly to increase its influence.

"That is normal reality. It's perfectly normal for these countries of the region who want to have good relations with the larger partner (China), the major trading partner," said Scot Marciel.

"We have certainly no problem with that," Marciel said in a news conference after meeting with Cambodian government leaders.

Analysts here said that the establishment of the China-ASEAN free trade area (FTA) conducted on January 1, 2010, under which most goods traded between China and the 10-member Association of Southeast Asian Nations (ASEAN) attach zero or little tariff, will promote the development of trade and economic cooperation of the region and benefit greatly countries and peoples.

The world's largest free-trade area (FTA) came into force since January 1, 2010, an initiative that gives a shot in the arm for global trade troubled by rising protectionism.

"Our goal for Southeast Asia remains the same. We would like to see Southeast Asia to achieve a goal that has been set out for itself, actually in the ASEAN blue print, which is more integration, political stability... and certainly economic prosperities and we continue to support that," he said after his two-day visit Cambodia from Monday to Tuesday.

He visited Laos and Vietnam and due to leave for Thailand Tuesday night before heading to Indonesia where he will do some works in preparation for the U.S. President Barack Obama's visit next month.

- China calls for more diplomacy after Iran starts 20% uranium enrichment (9<sup>th</sup> February)

China on Tuesday called for increased diplomatic efforts and an early agreement for an internationally-backed nuclear fuel proposal for Tehran after Iran started its higher-grade uranium enrichment program.

Iran informed the International Atomic Energy Agency (IAEA) about its plan to start its enrichment activities to the purity of 20 percent on Tuesday, provoking fresh warnings by Western countries of new sanctions.

"We note the related reports. We expect and back all sides to reach an early agreement on the IAEA-raised draft proposal regarding the Tehran research reactor, which will help solve the issue," Foreign Ministry spokesman Ma Zhaoxu told a regular briefing on Tuesday.

Under the IAEA-brokered deal, Iran would be supplied with nuclear fuel for the medical research reactor in Tehran in exchange for its low-enriched uranium.

Reviewing the recent consultations of the six countries, including the United States, Russia, China, France, Britain and Germany, on Iran nuclear issue, Ma said, "China hopes all relevant parties will step up diplomatic efforts and make progress in dialogue and negotiations."

- China appoints special representative on Korean Peninsula affairs (10<sup>th</sup> February)

The Chinese government has appointed former Vice Foreign Minister Wu Dawei as special representative for Korean Peninsula affairs, the Foreign Ministry said Wednesday. The ministry said in a press release that Wu would be in charge of the six-party talks and related issues.

Also on Wednesday, the Foreign Ministry confirmed that Deputy Foreign Minister Kim Gye-gwan of the Democratic People's Republic of Korea (DPRK) was visiting China at the invitation of Wu.

"The two sides exchanged views on China-DPRK relations, the six-party talks and issues of common concern," said ministry spokesman Ma Zhaoxu.

Wu, who served as the deputy director-general of the Ministry's Asian Affairs Department, China's ambassadors to the Republic of Korea (ROK) and Japan as well as vice foreign minister, is well-informed about the Korean Peninsular situation.

He participated in the previous rounds of six-party talks on the Korean Peninsular nuclear issue as head of the Chinese delegation.

The six-party talks, launched in 2003 but stalled last April, involve the DPRK, the ROK, China, Japan, Russia and the United States.

Ma said Tuesday that the Korean Peninsula nuclear situation had eased recently, providing an opportunity for resuming the talks and denuclearizing the peninsula.

- Chinese president appoints new ambassadors (10<sup>th</sup> February)

Chinese President Hu Jintao has appointed five new ambassadors in line with decisions adopted by the Standing Committee of the National People's Congress, China's top legislature.

Li Changhua was appointed ambassador to Costa Rica, replacing Wang Xiaoyuan.

Lv Fan was named ambassador to Chile, replacing Liu Yuqin, female, who was reappointed ambassador to Cuba, replacing Zhao Rongxian.

Zhao Rongxian was reappointed ambassador to the Bolivarian Republic of Venezuela, replacing Zhang Tuo.

Xue Jinwei was appointed ambassador to Cameroon, replacing Huang Changqing.

- Cambodia welcomes Chinese investments, Deputy PM (10<sup>th</sup> February)

Cambodian Deputy Prime Minister Sok An on Wednesday encouraged more Chinese investment and tourists to Cambodia.

Speaking at a farewell meeting with Chinese ambassador Zhang Jinfeng, Sok An said that investment from China has greatly contributed to the Cambodian economic growth.

"The more investments and tourists from China, the greater contributions will be for Cambodian economic growth," Sok An, who is also the Minister of the Office of the Council of Ministers, told Zhang who will leave Cambodia soon after four years work as Chinese ambassador to the Kingdom.

Sok An said that Cambodia has great potential in terms of not only tourism but also others including agro-industry sector, which could attract more Chinese investments.

Ambassador Zhang said there are numbers of Chinese investors who are interested in investing in rubber plantations for exports.

China has provided Cambodia the duty free access of 418 items for exporting its products to Chinese market.

"I have been told that there is a big Chinese company who wanted to plant 60,000 hectares of rubber plantations in Cambodia," the ambassador told Sok An.

She also said the Chinese company has planned to have a joint venture with a local partner to plant rubber trees.

"Actually, Cambodia has great potential for investments in many forms," she said.

In response, Sok An said "we welcome and will facilitate such Chinese investment to invest in rubber plantations."

- FM spokesman: China hopes early resumption of negotiation on Iran nuclear issue (11<sup>th</sup> February)

China said Thursday it hoped negotiations on Iran nuclear issue would be resumed at an early date and it would continue its efforts for this end.

"Dialogues and negotiations are the best ways to resolve this issue," said Ma Zhaoxu, spokesman of the Foreign Ministry, at a regular press conference.

Ma also said "China is serious on safeguarding the effectiveness of the international system of nuclear non-proliferation".

He called for an early resumption of the peaceful negotiation, and said China would contribute to it.

Iran announced Tuesday it had started the process of producing 20 percent enriched uranium inside the country, provoking warnings by western countries of new sanctions.

- China-Ukraine ties to improve under Yanukovich administration: Ukrainian experts (11<sup>th</sup> February)

Ukrainian experts have said the relationship between Ukraine and China will improve after Viktor Yanukovich, the winner of Ukraine's presidential election, takes office.

"The foreign policy of Ukraine led by Yanukovich will move from his predecessor's unilateralism to a policy of maximum cooperation and good relations with the leading countries in the world, including China," Vladimir Seminozhenko, the head of the "Ukrainian Forum," said in a recent interview with Xinhua.

He said a series of important meetings were held at the "Ukrainian Forum" recently -- for instance, talks with the ambassador of China to Ukraine, and with representatives of the Shanghai Cooperation Organization.

"Now it is time to change the foreign policy of Ukraine and, of course, a very important role will be given to the Ukrainian-Chinese relations," said Seminozhenko.

"I believe that the Ukrainian-Chinese ties have a very promising future," he added. Mykola Shulga, deputy director of the Institute of Sociology of Ukraine's National Academy of Sciences, believed that Ukraine and China should develop bilateral relations as much as possible.

Shulga said the two countries needed to step up cooperation in all spheres, especially in industry, science and technology, trade and culture.

He also expressed confidence in the improvement of the relationship between Ukraine and China after Yanukovich comes to power.

Shulga said China is "a huge state with a huge number of people and operates as a well-oiled machine."

"Ukraine should not only learn experience from the Western countries, but also benefit from the experience of China in organizing the state and public life," said Shulga.

Yanukovich, the Ukrainian opposition leader, beat Prime Minister Yulia Tymoshenko in Sunday's presidential run-off by a small margin with more than 99 percent of the ballots counted. However, Tymoshenko has threatened to challenge the results of the run-off vote.

- Somali pirates release fishing vessel from Taiwan, China (11<sup>th</sup> February)

Somali pirates have released a fishing boat from Taiwan, China, and all of its crew held since April, a regional maritime official said Thursday.

"The Taiwanese ship was released this morning. The fishing vessel which has a crew of 30 from various Asian nationalities was seized in April last year," Andrew Mwangura, East Africa's coordinator of the Africa Seafarers Assistance Program, told Xinhua.

The Win Far 161 was seized last April 4 near an island in the Seychelles, more than 1,100 kilometers off the coast of Somalia.

The ship carried a crew of 30 -- 17 Filipinos, six Indonesians, five from the Chinese Mainland and two from Taiwan, China.

Mwangura said 27 crew members were said to be safe, though a Chinese sailor and two from Indonesia died in captivity.

The coordinator could not confirm whether a ransom was paid to secure the release of the 700-ton ship and crew.

Piracy has been rampant off Somalia since the country slid into chaos after warlords toppled military dictator Mohamed Siad Barre in 1991.

Somali pirates now hold at least seven ships and more than 160 crew members.

The hijackings have prompted the international community to deploy security forces in the area to deter the pirates.

- White House announces Obama's plan to meet Dalai Lama despite China's firm opposition (12<sup>th</sup> February)

Despite China's firm opposition, the White House on Thursday announced that U.S. President Barack Obama plans to meet the Dalai Lama next week.

White House spokesman Robert Gibbs said the meeting is scheduled on Feb. 18.

China has been repeatedly urging the United States to immediately withdraw a decision of arranging Obama to meet with the Dalai Lama.

Responding to the White House announcement, Chinese Foreign Ministry spokesman Ma Zhaoxu said China has lodged solemn representation with the United States over such a decision,

"China firmly opposes the Dalai Lama visiting the United States and U.S. leaders' contacting with him," Ma said in a statement, adding China's position on the issue has been "consistent and clear."

"We urge the U.S. side to fully understand the high sensitivity of Tibet-related issues, honor its commitment to recognizing Tibet as part of China and opposing 'Tibet independence,'" he said.

Ma also called on the United States to refrain from offering the Dalai Lama venue and convenience for his engagement in anti-China splitting activities, and undermining the stability of Tibet and interfering in China's internal affairs, so as to avoid further damage to Sino-U.S. relations.

- Eased Korean Peninsula tensions bring opportunity for six-party talks' revival: FM spokesman (12<sup>th</sup> February)

The Korean Peninsula nuclear situation has eased recently, providing an opportunity for resuming six-party talks and denuclearizing the peninsula, a Chinese foreign ministry spokesperson said here Tuesday.

Foreign Ministry spokesman Ma Zhaoxu made the remarks following questions on whether a Chinese official's visit to the Democratic People's Republic of Korea (DPRK) and a UN envoy's trip to China meant the resumption of the talks.

Ma confirmed that a special envoy of UN Secretary-General Ban Ki-moon visited Beijing. "Lynn Pascoe, under-secretary-general of the UN for political affairs had exchanges with China's Foreign Minister Yang Jiechi on the Korean Peninsula situation and other issues of mutual concern earlier Tuesday."

The DPRK nuclear issue is complex and sensitive, involving interests of various parties, and can only be resolved through dialogue and negotiation. Peaceful solutions through political and diplomatic means are the right choices that serve interests of all parties, Ma said.

The stalled six-party talks involve the DPRK, the Republic of Korea, China, Japan, Russia and the United States.

Kim Jong Il, top leader of the DPRK, reiterated on Monday the country's stance of realizing denuclearization on the Korean Peninsula during a meeting with Wang Jiarui, head of the International Department of the Communist Party of China (CPC) Central Committee.

Ma urged the relevant parties to make concerted efforts and to continue contact and dialogue and to show flexibility to create the conditions necessary for the revival of the nuclear talks.

The Chinese side has made continuous efforts toward this goal and will work with the international community to achieve the denuclearization of the Peninsula, normalized diplomatic relations between the relevant states and lasting peace in northeast Asia, Ma said.

Pascoe arrived in Pyongyang as the first high-level UN official to visit the country since 2004. He is expected to meet with DPRK's high-level officials to discuss issues ranging from Pyongyang's nuclear program to humanitarian aid issues.

- China urges U.S. to immediately withdraw decision on Obama-Dalai Lama meeting (12<sup>th</sup> February)

China urges the United States to immediately withdraw a decision of arranging U.S. President Barack Obama to meet with the Dalai Lama, Foreign Ministry spokesman Ma Zhaoxu said here Friday.

China has lodged solemn representation with the United States over such a decision, Ma said in a statement when responding to relevant questions.

"China firmly opposes the Dalai Lama visiting the United States and U.S. leaders' contacting with him," Ma said, adding China's position on the issue has been "consistent and clear."

Ma said China has made repeated solemn representations with the U.S. side over Obama's possible meeting with the Dalai Lama recently.

"We urge the U.S. side to fully understand the high sensitivity of Tibet-related issues, honor its commitment to recognizing Tibet as part of China and opposing "Tibet independence," Ma said.

According to reports, White House spokesman Robert Gibbs said Thursday afternoon local time that the meeting between President Obama and the Dalai Lama was slated for Feb. 18 at the White House.

Ma also called on the United States to refrain from offering the Dalai Lama venue and convenience for his engagement in anti-China splitting activities, and undermining the stability of Tibet and interfering in China's internal affairs, so as to avoid further damage to Sino-U.S. relations.

- Nigeria willing to enhance tourism co-op with China (12<sup>th</sup> February)

Nigeria is willing to enhance cooperation with China in the tourism sector, an official of the Nigerian Tourism Development Corporation (NTDC) told Xinhua on Friday.

Olusegun Runsewe, director-general of the NTDC said the corporation has designed a special website in Chinese language in a bid to attract more tourists from China.

The NTDC is a tourism body responsible for promoting, marketing and disseminating information on Nigeria's tourism industry locally and internationally.

"We receive over 200 enquiries from the Chinese audience on a daily basis, requesting to know more about Nigeria," said Runsewe, who is planning to visit China in early April to formalize arrangement with the Chinese counterpart.

"We have identified China as a big market for our tourism industry to move forward, because we see them as a strategy partner," he said.

There are huge opportunities in Nigeria's tourism industry for investments, he said.

"We have most of the biggest hotels in world operating in Nigeria, but we want more Chinese to come into Nigeria because they are special," he said.

"They are lovely people, nice people and very hospitable," he added.

According to Runsewe, tourism industries had taken the driver's seat in the economies of many countries, noting that Nigeria is ready to enhance cooperation with China in this sector.

"At least 114 world airlines flies into Nigeria on a weekly basis," he said.

On security, he said the corporation is committed to providing the enabling business environment for visiting tourists and investors.

"We have mapped out a security network and I can assure you that all is well," he said.

- UN chief wishes Chinese people happy, prosperous new year (13<sup>th</sup> February)

U.N. Secretary-General Ban Ki-moon Friday sent a message to the Chinese people to wish them happy and a prosperous new year as the traditional Chinese Spring Festival draws near.

"On the occasion of the Lunar New Year -- the Year of Tiger, I would like to extend my warmest wishes to the Chinese people," the secretary-general said in the message.

"I wish the Chinese people greater prosperity, happiness and well-being in the New Year," he said, "I look forward to greater contributions by the Chinese people toward world peace and development in the New Year."

In the message, Ban also writes the Chinese characters "Hu Nian Da Ji," meaning in English "Good luck in the Year of the Tiger."

The secretary-general signed the message in Chinese.

The Spring Festival, or China's Lunar New Year which falls on Sunday this year, is China's most important annual event for family reunions.

- Obama sends Lunar New Year greetings (13<sup>th</sup> February)

U.S. President Barack Obama has issued a message of greetings to those celebrating the Lunar New Year, which falls on Feb. 14.

In taped remarks published on the White House website, Obama sent his "warmest wishes to Asian Americans and Pacific Islanders, the people of Asia, and all those around the world who are celebrating the Lunar New Year."

"May you be blessed with peace, prosperity and good health -- now and in the year ahead," he said.

In marking this special occasion, Obama said, Americans of Asian descent will continue the rich traditions of the past and begin new ones with their own families.

"Together, they serve as a reminder of the richness and diversity that make our country great," he said.

## **Economic front**

- China to return to double digit growth in 2010, report (7<sup>th</sup> February)

A top Chinese think tank forecasted the nation's economy would experience a mild rebound this year, with gross domestic product expanding around 10 percent year on year. Among the three economic engines, investment is expected to contribute 6.3 percentage points to the GDP growth, while consumption will contribute 4.2 percentage points. Net export will drag down the growth rate by 0.5 percentage points, the Center for Forecasting Science of the Chinese Academy of Sciences said in a report issued Saturday. The GDP may expand 11 percent in the first quarter and see a moderate slowdown in most of the remaining year, the report said.

The annual GDP growth rates for the second, third and fourth quarters are projected at 10.2 percent, 9.5 percent and 9.8 percent, respectively, it said.

Investment would continue to increase as a result of the government's economic stimulus measures, with focuses in agriculture, transportation, and industries relating to people's livelihood, but the annual investment growth would slow down from 30.1 percent in 2009 to 25 percent, the report said.

Foreign trade is expected to see a marked recovery as overseas demand rises due to the recovery of the world's economy.

Total value of the foreign trade would advance 17.6 percent year on year, with export up 16.6 percent and import up 18.9 percent, according to the report.

The report also estimated that consumption price index (CPI), a major gauge of inflation, would rise 3.06 percent from a year earlier, as a combination of economic revival, ample liquidity, and inflation expectations would drive up the prices.

The producer price index (PPI) would jump 5.22 percent year on year, it added.

Data from the National Bureau of Statistics (NBS) showed China's economy expanded 8.7 percent last year, of which investment growth contributed 8 percentage points, consumption contributed 4.6 percentage points, while net exports dragged down GDP growth by 3.9 percentage points due to sluggish external demand.

- Chinese vice president stresses Party's role in economic transformation (7<sup>th</sup> February)

Chinese Vice President Xi Jinping on Sunday urged improvement of the Party's role in leading the economic work as the country pushes forward transformation of the economic development mode.

Xi, a member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee, made the call at the closing ceremony of a seminar for provincial and ministerial level officials, which began on Feb. 3.

"As the international environment is experiencing major changes and the country's economic development is showing a series of new characteristics, we must... adapt ourselves to changes and accelerate the transformation of the economic development mode," said Xi, adding that the country should sharpen the competitive edge of its economy amid fierce international competition and meet people's expectations for a better life.



He said that in the drive, Party committees must exert full efforts in guidance while Party organizations at lower levels should strengthen their role in implementation with Party members setting examples for others.

- Taiwan's Jan. exports to Chinese mainland highest in 17 months (8<sup>th</sup> February)

Taiwan's January exports to the Chinese mainland reached 9.54 billion U.S. dollars, the highest figure in 17 months, according to local authorities.

The volume accounted for 43.9 percent of Taiwan's total exports for the month, the highest percentage since October 2007, figures showed.

Lin Lee-jen, an official in the local authorities' statistics department, said the growth was mainly driven by higher mainland demand ahead of the Spring Festival, or lunar new year, which falls on Feb. 14.

Also adding to the surge was the rapid growth of the mainland's economy, Lin said.

Taiwan's total imports and exports in January hit their highest level in 16 months, as the effects of the global slowdown began to wane in the third quarter of 2009.

Economic authorities expect Taiwan's total trade volume to recover to pre-crisis level next month.

The mainland and Taiwan have forged increasingly close economic ties in the past year. The two sides are now negotiating a broader economic pact, the Economic Cooperation Framework Agreement (ECFA), to further normalize trade and investment relations across the Taiwan Strait.

- Economic pact with mainland to raise Taiwan's competitiveness: Taiwan leader (9<sup>th</sup> February)

Taiwan leader Ma Ying-jeou said Tuesday that signing a wide-ranging economic pact with the Chinese mainland will help Taiwanese people do business and boost the island's competitiveness.

Ma made the remarks at a press conference on the progress of negotiations for the Economic Cooperation Framework Agreement (ECFA), a pact aimed at further normalizing trade and investment ties across the Taiwan Strait.

"The mainland is Taiwan's biggest trade partner, and that is why we must sign the ECFA," he said.

Ma admitted that the ECFA would affect Taiwan's uncompetitive industries, but he said the pact will push Taiwan to structurally adjust its economy.

He said Taiwan needed to figure out why it was not part of the earthshaking changes taking place in Asia over the last decade and how it could avoid being marginalized as Asia integrates economically.

Taiwan's economic authorities have decided to allocate 95 billion New Taiwan dollars (three billion U.S. dollars) over 10 years to help those businesses hurt by the agreement, Ma added.

Negotiations on the ECFA have no fixed schedule. The agreement mainly includes reducing tariffs, guaranteeing investment and protecting intellectual property.

- Analysts say China should not yield to Obama's hardline on yuan (8<sup>th</sup> February)

As the U.S. President Barack Obama vowed to get "much tougher" with China on exchange rates and trade, economists from Beijing said China should not give in to increased U.S. pressure that stems from its domestic problems.

Obama's talk of putting "constant pressure" on China to strengthen the yuan so to ensure the price of U.S. goods was not artificially inflated has drawn heated comments from economists in Beijing.

"His words are only aimed to appeal to domestic interest groups," said Tan Yaling, an expert at the China Institute for Financial Derivatives at Peking University.

Given China's growing international clout and the lack of jobs in the United States, Obama will certainly try to make China change its currency policy as this is an easy way to weaken China's export industry, she said.

It was also a relevant tactic given the President was losing ground in opinion polls and facing tough conditions leading up to the mid-term election later this year, she said.

Although the U.S. economy recovered to 5.7 percent growth in the fourth quarter last year, a record high in six years, jobless rate surged to more than 10 percent.

Fiscal deficit is set to hit 1.56 trillion U.S. dollars in 2010, or 10.6 percent of its GDP, a new record since the Second World War.

In the State of the Union Address on Jan. 28, Obama made it clear he would focus on jobs in 2010 and pledged to double exports in five years which could create 2 million jobs in the States.

Tan Yaling said Obama's export drive could not fix the job problem, while a stronger yuan would add costs for U.S. consumers.

### **RESIST PRESSURE**

It's an old trick for the U.S. to force its major trade partners to appreciate their currency to help itself in a time of crisis, said Zhang Yansheng, director of the Institute of Foreign Trade of the National Development and Reform Commission.

"China's reforms, including exchange rate reform, should be independent of other countries," he said.

He noted China's currency policy should comply with the country's macroeconomic conditions and industry restructuring. As many exporters' sales were just starting to pick-up, a rising renminbi would hurt their fragile recovery.

Many foreign experts also agreed that the appreciation of the renminbi would not remedy the global economic imbalance.

A 20 percent rise in the yuan and other major Asian currencies would at best lead to a rise in U.S. exports worth 1 percent of gross domestic product, as the International Monetary Fund (IMF) estimates suggested, said Olivier Blanchard, Economic Counsellor and Director of the Research Department of IMF.

"I think it's very important not to bash China over the RMB. What China should do, and is actually doing, is to decrease its saving rate, thus increase domestic demand, and

reorient production to satisfy this higher domestic demand," he said in an interview with Reuters on Jan. 29.

The renminbi has gained around 21 percent since July 2005 when the government delinked the yuan from the U.S. dollar. However, China's trade surplus with its major trading partners did not fall accordingly.

"The exchange rate of renminbi is not the main reason for the Chinese-U.S. trade deficit," Foreign Ministry Spokesman Ma Zhaoxu said Thursday.

"We expect the United States to view bilateral trade issues rationally and to negotiate fairly. Accusation and pressure would not bring a solution," said Ma.

- Profit of China's iron & steel industry drops 31 pct in 2009 (9<sup>th</sup> February)

China's 68 large and medium sized iron and steel companies made 55.39 billion yuan (8.12 billion U.S. dollars) in profit in 2009, down 31.43 percent year on year, said a senior official from China Iron & Steel Association Tuesday.

The 68 companies reaped a total business revenue of 2.25 trillion yuan last year, a 10.1 percent drop from a year earlier, said Luo Bingsheng, vice chairman of the association.

Luo attributed the drop in profit to the low price of steel products. In 2009, the average price index of steel products dropped 25 percent year on year, or 33.54 points, to 103.12 points, according to the association.

The total output of crude steel of the top five iron and steel companies, namely Hebei, Baosteel, Wisco, Angang and Shagang, now accounts for 29.06 percent of the country's total amount, which shows the convergence and reorganization of the industry, although not as much as had been expected, said Luo.

- China's January auto sales, output hit new record (9<sup>th</sup> February)

China's auto sales and output both more than doubled in January from a year earlier to exceed 1.6 million units, a new record, the China Association of Automobile Manufacturers (CAAM) said Tuesday.

Auto sales topped 1.66 million units while output reached 1.61 million units, according to CAAM.

Although the strong growth was partly a result of last year's low January figures, the stable and comparatively fast economic growth and the government's policies to boost auto sales helped boost sales, CAAM said.

Compared with December figures, auto sales and production grew 16.83 percent and 5.04 percent respectively in January.

Passenger car sales were up 113.21 percent to 1.32 million units last month, and production was 1.24 million units, up 134 percent year on year.

Statistics from CAAM confirmed last month that China had overtaken the United States to become the world's top auto maker and market in 2009 with annual sales reaching 13.64 million units. Output reached 13.79 million units last year.

- China, Costa Rica hold 6th round of FTA talks (9<sup>th</sup> February)

China and Costa Rica held their sixth round of talks on the Free Trade Agreement (FTA) here on Monday.

During the three-day meeting, the two sides will mainly discuss issues such as market access, the rule of origin, and intellectual property rights.

"We have agreed in more than 90 percent of issues we talked in last five round of negotiations. I think it is a substantial progress," said Costa Rican External Commerce Minister Marco Vinicio Ruiz at the beginning of the talks.

Chinese Vice Commerce Minister Yi Xiaozhun said at the negotiations that the two economies are complementary and have great potential for further economic and trade cooperation.

According to him, bilateral trade between the two nations reached 2.89 billion U.S. dollars and 3.18 billion dollars in 2008 and 2009, respectively.

Bilateral trade has been growing fast since the two nations established diplomatic relations in June 2007. Costa Rica is now one of China's important trade partners in Central America while China is the second largest trade partner of Costa Rica.

- Saudi Arabia, Angola, Iran remain top 3 oil suppliers to China (10<sup>th</sup> February)

Saudi Arabia, Angola and Iran remained the three largest oil sources for China in 2009, with the three supplying 47.7 percent of China's total imports, according data released Wednesday by the General Administration of Customs (GAC).

GAC figures showed that China's oil imports from the three nations last year stood at 41.86 million tonnes, 32.17 million tonnes and 23.15 million tonnes, respectively. They represented a year-on-year increase of 15.1 percent, 7.6 percent and 8.6 percent, respectively.

China imported 204 million tonnes of crude oil last year, up 13.9 percent from a year earlier, at an average price of 438 U.S. dollars per tonne. That cost the world's third largest economy 89.26 billion U.S. dollars, down 31 percent year on year due to lower oil prices.

Saudi Arabia, the largest oil supplier to China, accounted for 20.5 percent of China's total imports in 2009. Angola supplied 15.8 percent while Iran contributed 11.3 percent, according to GAC data.

Other main oil suppliers to China included Russia, Oman and Sudan.

GAC said industrialization, urbanization and increasing car ownership were major reasons behind China's increasing oil demand.

China has become increasingly dependent on imported crude oil. In 2009, imported oil accounted for 52 percent of the country's total oil consumption. China itself produced about 189.5 million tonnes last year.

- China's export up 21% in Jan. as global demand recovers (10<sup>th</sup> February)

China's export grew 21 percent in January as the global economy gradually began to recover, customs data showed on Wednesday.

Exports stood at 109.47 billion U.S. dollars, while imports rose 85.5 percent to 95.31 billion U.S.dollars, the General Administration of Customs (GAC) announced Wednesday.

The trade surplus contracted 63.8 percent to 14.16 billion U.S. dollars. Foreign trade posted a 44.4 percent growth in January 2010 year-on-year.

The hefty increase was due to a lower comparison basis a year ago when China's export sector was hard hit by the global financial crisis, as well as less working days as the Lunar New Year holiday fell in January last year, the administration explained.

"The calendar factor can not change our judgement that the export sector is recovering," said Qiu Gaoqing, a senior financial analyst with Shanghai-based Bank of Communications.

As for the reason why January's exports were down 16 percent from December, Qiu said was that December had three more working days than January.

"December is normally the export peak season for Chinese exporters due to western consumers' Christmas spending," he added.

"We predict that China's export sector has entered a stable recovery stage given the increasing strength of the global economy," Qiu said.

China's exports ended 15 months of decline last month and grew 17.7 percent in December on the back of government policy incentives such as tax rebate.

Despite an annual drop of 16 percent in exports in 2009, China overtook Germany as the world's largest exporter as the latter saw exports decrease by nearly a fifth, the biggest decline for the country in six decades.

Strong exports intensified international pressure on China to strengthen the yuan, or renminbi.

U.S. President Barack Obama last week vowed to get "much tougher" with China on exchange rates and trade to ensure the price of U.S. goods was "not artificially inflated."

Foreign Ministry Spokesman Ma Zhaoxu said last Thursday that the renminbi's exchange was not the main reason for the Chinese-U.S. trade deficit, given the yuan had gained around 21 percent since July 2005 when the government unpegged the yuan from the U.S. dollar.

Obama's hardline was also dismissed by Chinese economists as political rhetoric to appeal to domestic interest groups.

Zhong Shan, Chinese vice minister of commerce, said on Monday in Birmingham, Britain that China would not allow drastic changes to the yuan's exchange rate and China's currency policy should take into account domestic economic conditions.

He estimated annual exports would gain in 2010, but were unlikely to return to the pre-crisis levels of 2008.

Morgan Stanley revised China's export growth for 2010 up to 15 percent from 9 percent, and import growth to 18 percent from 10 percent in a report released on Feb 4.

"We envisage that stronger demand for exports will contribute to stronger economic growth mainly because of the positive impacts on private investment in the manufacturing sector," it said.

The European Union and United States remained China's largest trading partners, Wednesday figures revealed.

The Association of Southeast Asian Nations (ASEAN) surpassed Japan to be China's third largest as Sino-ASEAN trade rose 80 percent to 21.48 billion U.S. dollars after the China-ASEAN free trade area took effect on Jan. 1 this year.

Exports of machinery products added 27 percent year-on-year to 62.51 billion U.S. dollars, accounting for nearly 60 percent of the total monthly export volume.

Exports of appliances and electrical products grew 33.1 percent year-on-year to 24.09 billion U.S. dollars.

- China's CPI to grow 3% in 2010: CCB report (10<sup>th</sup> February)

China's Consumer Price Index (CPI), a main inflation index, might climb 3 percent in 2010 year on year, according to a Wednesday report released by the China Construction Bank (CCB).

It is not likely for China to see a rocketing inflation in 2010, while China might register a year-on-year gross domestic product (GDP) growth of around 9.5 percent, according to Wednesday's China Securities Journal, a newspaper run by Xinhua.

China's CPI increased 1.9 percent year on year in December last year. The figure rose sharply from a 0.6 percent growth in November when the index ended nine months of decline.

The government should step up efforts to improve the domestic economic growth efficiency and quality in line with changing situations, said the Beijing-based CCB.

- Chinese banking regulators win top risk management award in New York (10<sup>th</sup> February)

Chinese banking regulators won a top award from a leading risk management association in New York on Tuesday.

The China Banking Regulatory Commission (CBRC) and its chairman Liu Mingkang were jointly named the Risk Manager of the year 2009 by the Global Association of Risk Professionals (GARP) at the association's 11th annual conference.

Chinese banking regulators win top risk management award in New York

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Liao Min (R), who attended the conference on behalf of the China Banking Regulatory Commission (CBRC) and its chairman Liu Mingkang, shakes hands with Richard Apostolik, president and CEO of the Global Association of Risk Professionals (GARP), during the awarding ceremony of the Risk Manager of the year 2009 held in New York, Feb. 9, 2010. CBRC and its chairman Liu Mingkang were jointly named the Risk

"We are pleased to recognize CBRC and Mr. Liu Mingkang for their key role in orchestrating the recapitalization of China's largest state-owned banks," said Richard Apostolik, president and CEO of GARP.

He praised CBRC and Liu for their efforts to implement numerous disciplined risk management practices, regulatory oversight policies and corporate governance initiatives, and for their strong commitment to the importance of prudential banking regulation.

Apostolik said the award is presented in recognition of outstanding contributions to the financial risk management profession.

That "takes on special meaning at a time when the recent financial crisis left many of the world's largest banks on the brink of failure," he added.

Apostolik told Xinhua that it's the first time that this award has gone to Asians, "a unanimous decision by the board."

Liao Min, who attended the conference on behalf of CBRC and Liu, said the award is a "recognition for the past and encouragement for the future" for CBRC.

China will continue to implement risk management principles and further improve its banking risk management, he said.

GARP is the world's largest and most authoritative industry association for financial risk management.

Its members include more than 100,000 risk management professionals and researchers from over 167 countries and regions worldwide.

- Rate of inflation "still low" (10<sup>th</sup> February)

Central bank governor Zhou Xiaochuan said Tuesday China's inflation rate remains "relatively low", amid ongoing debate among officials and economists on when policymakers should raise interest rates to rein in rising inflation and asset prices.

The inflation rate still needs to be "closely watched", Zhou told reporters in Sydney after a meeting with other central bankers.

China's consumer price index (CPI), a major measure of inflation, rose by 1.9 percent in December from 0.6 percent in November, due to the country's ample liquidity. The country initiated its economic stimulus plan to keep economic growth stable in late 2008. Chinese banks extended 9.6 trillion yuan (1.4 trillion U.S. dollars) in new yuan loans in 2009, almost double that of 2008, while the lending in January is forecast to reach 1.3 trillion yuan.

The rapidly rising inflation, together with surging house prices, has led to expectations of imminent interest rate hikes. The stock market has also been declining in recent trading days as investors expected more tightening policies following the country's move to raise the reserve requirement ratio of commercial banks and tighten real estate deals.

But Dai Xianglong, chairman of the influential National Social Security Fund, said in a speech in India on Monday that China was unlikely to raise interest rates in the first half of 2010 as the economic recovery was still not on solid ground.

Dai, a former central bank governor, said that despite possible policy adjustments to combat inflation and asset bubbles, money and lending supply will remain relatively loose over the course of the year.

"Interest rate hikes are not the most appropriate tool if policymakers want to control inflation," said Zuo Xiaolei, chief economist of China Galaxy Securities.



China's recent inflation rise, in essence, stems from increasing liquidity in the financial system. The best way to curb inflation is to raise banks' reserve requirement rate or conduct open market operations, she said.

China announced the raising of banks' reserve requirement ratio, or the proportion of money commercial banks must keep in reserve, on Jan 12. It has also resorted to a number of open market operations to mop up liquidity as banks rushed to lend to preempt a possible tightening of policy.

China may continue to raise the requirement ratio this year, possibly increasing it three or four times to 18 percent from the current 16 percent, said Qu Hongbin, chief China economist of HSBC.

Qu said an interest rate hike could come in April because inflation could be very serious if interest rates are not raised. China is scheduled to release its first-quarter economic data in mid-April.

Economists also forecast that China's CPI could be mild in January, because of the relatively high base of last January. China's traditional Spring Festival fell in January last year.

But it can rise up to 3 percent in February as consumption can still pick up during the Chinese New Year period, which starts on Feb 14, analysts said. Inflation could stabilize later, Nomura Securities reported.

"If that happens, the possibility of interest rate hikes would decrease," said Zhang Lan, head of research at Shanghai-based Changjiang Securities.

- Tighter policy to keep leash on China stocks, dog Asia (11<sup>th</sup> February)

HONG KONG (Reuters) - Chinese stocks will likely keep leading declines in Asia's emerging markets through the first half of the year, with investors fearing policymakers will only get more aggressive as they try to prevent asset bubbles.

Most fund managers with China in their portfolio still believe rising domestic consumption in the world's fastest growing economy is a long-term bet worth making.

But recent central bank moves to curb bank lending and crack down on property speculation have foreign investors bracing for even more measures, leaving them prone to take profits on any market bounces and reluctant to hunt for bargains just yet.

Chinese urban property prices rose at the fastest annual rate since October 2007 and new lending surged in January, data showed on Thursday, suggesting officials will have to keep tightening the policy screws.

Beijing's moves to staunch excessive credit and keep the economy from overheating have pushed the Shanghai [.SSEC](#) and Hong Kong [.HSI](#) indexes down more than 10 percent from last November and weighed heavily on stocks in the rest of Asia and around the world. China has helped lead the global economic recovery as demand in the West remains stubbornly weak.

"We think the market is about half way through a correction so it's a little early to be looking for value," said Mark Konyn, Asia Pacific chief executive of RCM, a unit of Allianz Global Investors, in Hong Kong.

The most popular play on China's domestic growth, buying shares of banks and insurers, has been squeezed because of the policy shift to tighten liquidity, said Konyn, who oversees some \$11 billion in assets.

Investors are likely to take time searching for opportunities in less familiar sectors such as retail and healthcare.

#### FEWER EARNINGS REVISIONS

China-focused equity funds have seen redemptions for five of the last six weeks, according to EPFR Global. Meanwhile, the rolling 60-day percentage change of the Hang Seng mainland composite index [.HSCE](#) is a woeful -16 percent compared with -6 percent on the MSCI Asia Pacific index ex-Japan.

In addition to unease about policy changes, analysts are finding fewer reasons to upgrade their company earnings forecasts, putting valuations under tougher scrutiny.

The three-month change in 12-month forward earnings forecasts of the MSCI China stocks index has dropped to 1.1 percent from 6.6 percent in October 2009, Thomson Reuters I/B/E/S showed.

That is the biggest change in the momentum of earnings revisions among the developing BRIC countries of Brazil, Russia, India and China.

The MSCI China index is trading at a multiple of 12.6 times expected earnings a year from now, after valuations shrank in January by the most since September. But China is still more expensive than Brazil or Russia.

With expected Chinese corporate earnings growth this year on the order of 20 percent, a multiple of 12.6 times is not that bad, said Richard Wong, who manages a \$3.5 billion portfolio of Chinese stocks for Halbis, a part of HSBC Global Asset Management in Hong Kong.

His top 10 holdings include Bank of China ([3988.HK](#)) and Tencent Holdings ([0700.HK](#)), China's largest Internet firm by market value.

However, Wong is not chasing infrastructure stocks at this point because he believes Beijing will scale back investment in new projects. Wong is also underweight the property sector, which he bets will bear the brunt of further Chinese tightening measures at a time when new developments are underway.

"Policy headwinds and more supply on the housing side are negatives for the property sector," said Wong.

For now, mainland developers have enough cash to take them comfortably through the long Lunar New Year holidays this month, but if property sales keep declining, they may need to cut prices to lure buyers and maintain enough cash flow, Wong said.

#### AN EITHER/OR MARKET

JPMorgan Asset Management's Greater China fund managers, who oversee \$10.3 billion in assets as of 2009, are more sanguine on real estate and even include tourism and property development firm Shenzhen Overseas Chinese Town Holding ([000069.SZ](#)) among the top holdings in their A-share fund.

But they too are expecting a volatile year, warning that waves of profit taking could be triggered as the People's Bank of China, the central bank, gradually unwinds monetary stimulus adopted during the global financial crisis.

"Policy exits by the PBOC will either be met with a vote of confidence or a sharp sell off, similar to what we are currently experiencing in the Shanghai and Shenzhen markets," the fund managers said in a note to clients.

Vincent Chan, head of China research for Credit Suisse in Hong Kong, also expects 2010 to be a bumpy year, with the risk that Chinese policy changes could come suddenly.

Chan is forecasting the Shanghai A-share index [.SSEC](#) will finish the year at 3,300, implying gains of 10 percent from current levels. But that depends on a second-half rebound.

He expects consumer-related stocks to gain and banks, energy and telecom stocks to decline as part of gradual portfolio reallocations.

Government policy will be the main driver for the market, though.

If the economy starts to show signs of some slowing in the first half of the year because of lending curbs and easing investment, then the pace of policy tightening may slow.

"Then probably you will have a better market in the second half of the year," Chan said.

<http://www.reuters.com/article/idUSTRE61A40020100211>

- Chinese Producer Prices Jumped Sharply in January (11<sup>th</sup> January)

The pace of inflation at factories and other producers more than doubled last month in China, government data showed Thursday, with producer prices climbing at their fastest pace in 15 months while the money supply continued to grow briskly.

The sudden acceleration partly reflected the very low level of commodity prices a year ago, during the depths of the global financial crisis, said Ben Simpfordorfer, an economist in the Hong Kong office of the Royal Bank of Scotland.

But the rise in prices at the factory gate, together with a separate government announcement that bank lending had surged in January, indicated that China might be forced to continue tightening controls on bank lending, economists said. The Chinese government typically does this through some combination of administrative controls on the volume of bank loans and higher interest rates for bills issued by the central bank.

Producer prices were up 4.3 percent in January from a year earlier, China's National Bureau of Statistics announced Thursday morning. In December, the increase from a year earlier was just 1.9 percent.

As recently as last October, China was still suffering from gradual deflation at the producer level.

For the most part, those increases are not yet filtering down to the prices that Chinese consumers see at their local stores.

Consumer prices were up 1.5 percent from a year earlier, according to the National Bureau of Statistics, compared with a year-over-year increase of 1.9 percent in December, in a sign that factories and stores had not yet tried to pass increases on to retail customers.

Weaker-than-expected food prices pulled down inflation at the consumer level, as initial reports suggest that rice harvests in Southeast Asia will be bountiful this spring. Food prices were up 3.7 percent in January from a year earlier; in December, they had been up 5.2 percent from a year earlier.

Investors took the various economic reports from China in stride, with the A-share index in Shanghai inching up just 0.1 percent Thursday.

China's central bank, the People's Bank of China, announced separately Thursday that lending by banks across the nation had surged by 1.4 trillion renminbi, or \$205 billion, in

January. That was more than the increase in the three previous months combined, when banks were struggling to stay under limits for lending in all of 2009.

The People's Bank of China also said that a broad measure of money supply, M2, grew 26 percent in January from a year earlier. That was slightly slower than an increase of 27.7 percent in December.

The central bank said in a monetary policy statement posted on its Web site late Thursday that its target for all of this year is for M2 to increase 17 percent — a goal that would require tighter policy. The People's Bank of China also expressed concern about whether large countries around the world could coordinate their exit from stimulative policies introduced in late 2008 and early 2009 in response to the global financial crisis.

China's economy is booming and asset prices are rising even as the Federal Reserve is keeping short-term interest rates near zero in the United States, producing a large flow of investment from industrialized countries to China and other emerging markets. That makes it even more expensive for China to continue spending hundreds of billions of dollars a year to intervene in currency markets and keep the renminbi weak against the dollar.

In calling for a coordinated exit from stimulus, China's central bank is hinting that other countries should start raising interest rates as well — a policy for which there is limited support in the United States as long as unemployment is close to 10 percent.

Rising prices in China could have a silver lining for leaders in Beijing: They may reduce tensions somewhat between the United States and China over the low value of the renminbi against the dollar.

If prices rise faster in China than in the United States, then the renminbi could effectively start to climb against the dollar in inflation-adjusted terms.

That would make Chinese goods slightly more expensive in the United States, and American goods and services slightly more affordable in China.

The Chinese government has been determined to prevent inflation at the producer level from trickling down to consumers, even imposing price controls at times over the past seven years to prevent this from happening. Government leaders have voiced fears that rising consumer prices could lead to street protests and undermine social stability. Because many Chinese industries suffer from overcapacity, companies often find it hard to pass along their rising costs to consumers, accepting narrower profit margins instead. On Thursday, SJS Markets, a Hong Kong research and trading firm, raised its forecast for producer price inflation this year in China to 7.7 percent, from 6.6 percent. But SJS also lowered its forecast for consumer price inflation in 2010, to 4.7 percent from 5.0 percent. Zhou Xiaochuan, the governor of the People's Bank of China, said Tuesday in Sydney, after attending a meeting of central bankers, that the government was closely watching inflation but that it still seemed to be fairly low.

<http://www.nytimes.com/2010/02/12/business/global/12inflate.html>

- Miners, China steel mills near price deal: Platts (11<sup>th</sup> February)

Miners have asked Chinese mills for a provisional 40% rise in iron ore prices and the nation's five largest steelmakers have indicated a willingness to agree to the hike for the 2010-2011 contract year, Platts said in a recent report, citing local media reports. The 40% price increase was discussed with each of the five big Chinese steel mills separately, and an agreement was thought to have been reached with at least one of the producers, a

mining executive familiar with the contract talks told Platts exclusively in a meeting earlier this week. He told Platts he was optimistic that Chinese steel producers will agree to the 40% hike within the next few weeks. Chinese steel mills, led by China's largest steelmaker by output, Baosteel Group Corp., negotiate pricing for iron ore on an annual basis with global miners Rio Tinto Ltd.

<http://www.marketwatch.com/story/miners-china-steel-mills-near-price-deal-platts-2010-02-11>

- Hong Kong, China stocks rise; Chinese banks up (11<sup>th</sup> February)

Chinese banks up on hopes of yuan business expansion

\* Investors cautiously upbeat on China mkt near-term trend (Updates to midday)

By Donny Kwok and Lu Jianxin

HONG KONG/SHANGHAI, Feb 12 (Reuters) - Hong Kong shares inched up on Friday with Chinese banks leading the rise buoyed by hopes of yuan business expansion, and China stocks firmed as investors grew cautiously optimistic about the market's near-term trend.

Chinese banks were mostly higher fuelled by hopes that they would benefit as Hong Kong was expanding its yuan banking business to allow non-Chinese firms to issue yuan bonds and borrow yuan funds from domestic banks. [ID:nTOE61A063]

"Yuan business expansion could benefit the banks in the long run, while an unlikely interest rate hike and an unlikely tightening credit policy in the mainland in the short run gave immediate support to Chinese financial shares," said Alfred Chan, chief dealer at Cheer Pearl Investment.

"The underlying tone of the market was still positive and that was good for bargain hunting," Chan added.

ICBC ([1398.HK](#)), the country's largest lender, rose 1.1 percent to a session high of HK\$5.66, its highest in a week, before the stocks steadied at HK\$5.62 by the midday break, still up 0.36 percent. China Construction Bank ([0939.HK](#)) gained 0.17 percent, BOC Hong Kong ([2388.HK](#)) climbed 1.07 percent.

However, investors took to the sidelines ahead of details of a bail-out plan for debt-laden Greece and that sent HSBC ([0005.HK](#)), the most actively traded stock, down 1.04 percent to HK\$80.5 by the midday break.

The benchmark Hang Seng Index [.HSI](#) ended the morning up 67.10 points, or 0.33 percent, at 20,357.79.

The China Enterprises Index [.HSCE](#) of top locally listed mainland Chinese stocks was up 0.40 percent at 11,628.26.

Market turnover decreased to HK\$24.86 billion (\$3.19 billion) from midday Thursday's HK\$28.35 billion.

Commodities stocks eased as investors locked in gains ahead of the Lunar New Year holiday and after their recent strength fuelled by news about the support plan for Greece.

Shares of Sinopec ([0386.HK](#)) fell 1.7 percent to a session low of HK\$5.88 after a 2.2 percent rise the previous session, its biggest percentage gain since Dec. 14. The stocks were at HK\$5.95 by midday, still down 0.5 percent.

PetroChina ([0857.HK](#)) also fell more than one percent after a two percent gain on Thursday when the stock ended at its highest close in a week. Its shares steadied at HK\$8.7 by midday, still down 0.23 percent.

CITIC 1616 ([1883.HK](#)) rose 4.3 percent to HK\$2.40 its highest since Jan. 15, after the telecommunication service firm said it would buy a stake in Macau's mobile operator Companhia de Telecomunicacoes de Macau for HK\$1.4 billion (\$180 million). [ID:nTOE61A05Y] It steadied at HK\$2.38 by midday.

#### SHANGHAI FIRMS

China's key stock index rose 0.82 percent by midday, heading for its first weekly gain in four weeks as investors grew cautiously optimistic on the near-term trend for the market after it returns from next week's week-long Lunar New Year holiday.

The Shanghai Composite Index [.SSEC](#) ended the morning session at 3,009.969 points, near a one-week intraday high touched just before the midday break and on track for a weekly gain of 2.4 percent.

China's stock market is shut the entire week next week for the Lunar New Year and trading will resume on Monday, Feb. 22.

GF Securities ([000776.SZ](#)) was by far the biggest gainer of the morning, nearly quadrupling in value to 51.00 yuan after achieving a "backdoor listing" by acquiring Yanbian Road Co, whose shares were suspended from trading since October 2006. The benchmark index has gained 64 percent during that period.

"Some investors built light positions, hoping for a moderate market rebound after the holiday, although overall sentiment remained cautious," said a senior trader at a major Chinese stock brokerage in Shanghai.

China's latest economic data for January, posted by the government this week, showed that the country's economic recovery after the global financial crisis is now in full swing.

The data included a surprisingly low consumer price index for January, which has eased but not wiped out concerns about the possibility of an official interest rate hike in the near term.

But offsetting the positive news, which also includes improving corporate earnings driven by the recovering economy, is China's plan this year to gradually exit the economic stimulus programme in place since late 2008.

In its clearest statement so far on such an exit, China's central bank said after the market closed on Thursday that it would guide monetary measures away from an anti-crisis footing, even as it maintains an appropriately loose policy. [ID:nBJA002222]

Lawton Development Co ([600209.SS](#)), whose businesses range from tourism to property, was the morning's most actively traded stock, rising 3.75 percent to 16.88 yuan upon resumption of trading after a two-day suspension due to share price volatility.

Baoshan Iron and Steel Co ([600019.SS](#)), the second-most actively traded stock, rose 0.64 percent to 7.88 yuan after it raised March prices for some of its products. [ID:nTOE61B01S]

Turnover eased to a sluggish 31 billion yuan (\$4.54 billion) from the previous morning's 35 billion yuan in the run-up to the Lunar New Year, which begins on Feb. 14. (\$1=6.832 Yuan)

<http://www.reuters.com/article/idUSTOE61B03720100212>

- China to continue moderately easy monetary policy with flexibility: central bank (11<sup>th</sup> February)



China will continue to implement a moderately easy monetary policy while striving to improve the focus and flexibility of its policies, in accordance with economic conditions, the People's Bank of China (PBOC), the central bank, said Thursday.

The central bank will work to balance stable and comparatively fast economic growth with the adjustments in the nation's economic structure, while managing inflationary pressures, according to the central bank's quarterly report posted on its website.

The country's economy is likely to maintain its stable and comparatively fast growth momentum in 2010 despite the challenges both at home and abroad, the report said.

The PBOC will increase financial support for sustainable economic development and maintain the healthy and steady operation of the financial system.

It will focus on maintaining a moderate and balanced pace of credit growth in 2010 and guide financial institutions to avoid big fluctuations in loan growth.

The PBOC expects the broad measure of money supply, M2, which covers cash in circulation and all deposits, to increase 17 percent this year compared with 2009.

M2 had risen 27.7 percent year-on-year to 60.6 trillion yuan (8.87 trillion U.S. dollars) by the end of 2009. China's new yuan-denominated loans in 2009 totalled 9.6 trillion yuan, nearly double the 2008 figure of 4.9 trillion yuan.

- China's inflation rises modestly, pressure remains (11<sup>th</sup> February)

China's consumer price index (CPI), a indicator of inflation, rose 1.5 percent year on year in January this year, the National Bureau of Statistics (NBS) announced Thursday.

"This is a modest rise and it is mainly caused by a hike in food prices," Fan Jianping, a senior economist with the State Information Center, told Xinhua Thursday.

Food prices went up 3.7 percent last month year on year, with non-food prices edging up 0.5 percent from a year earlier.

The index in January was up 0.6 percent from December, with food prices up 1.8 percent from the previous month, said the NBS.

China's inflation has continued to rise since November, pushed up by a rise in food prices caused by the bleak winter conditions in early January, said Xiong Peng, a senior researcher with the Shanghai-based Bank of Communications (BOC), China's fifth largest lender, Thursday.

Figures showed that China's CPI rose 1.9 percent year on year in December last year.

"The year-on-year CPI growth rate did not increase from December. This is the result of a relatively high comparison basis in January 2009, as Spring Festival and annual shopping spree fell in that month," Xiong explained.

The producer price index (PPI), an inflation indicator at the wholesale level, rose 4.3 percent in January from a year earlier, increasing from 1.7 percent in December 2009 when the figure ended 12 months of decline.

Analysts said the domestic price reform of major resource products and rising international commodity prices accelerated the PPI growth.

In breakdown, the price of crude oil surged 70 percent, and that of raw coal was up 5.3 percent. Non-ferrous metal price rose by a quarter.

A relatively lower comparison basis in January 2009 also helped push up the PPI last month, according to a Thursday BOC research report.

"China's CPI and PPI are on track for continuing growth on the back of economic expansion. Improving exports may also boost domestic manufacturing demand in the first quarter of this year," Xiong said.

China's exports grew 21 percent in January as the global economy gradually began to recover, customs data showed on Wednesday.

Possible bad winter weather, Spring Festival and rising accommodation costs in cities may further cause the CPI to rise, according to the BOC report.

China Construction Bank predicted Wednesday that China's CPI may climb to 3 percent in 2010 year on year.

This is in line with BOC's forecast. It predicted that China's CPI would rise between 3 and 4 percent for 2010, with PPI in the range of 4 to 4.5 percent.

"The government should closely monitor the inflation indicators, especially the rise of the PPI," Fan said.

The Chinese government should introduce a series of macro-management measures to keep the inflation rate stable, Xiong added.

Thursday figures showed that China's new yuan-denominated lending in January stood at 1.39 trillion yuan (203.5 billion U.S. dollars), down 14.2 percent from a year earlier, dampening market expectations of an interest rate raise in the near future.

Chinese equities closed higher in the morning session of Thursday after releasing the latest economic figures, with the benchmark of the Shanghai Composite Index gaining 0.16 percent, or 4.67 points, to 2,987.17 points.

- China's housing prices up 9.5% in January 2010 (11<sup>th</sup> February)

Housing prices in China's 70 large and medium-sized cities rose 9.5 percent in January 2010 from a year earlier, and were up 1.3 percent compared to the previous month, said the National Bureau of Statistics (NBS) on Thursday.

It is the fastest year-on-year growth in 19 months. The year-on-year house price growth rate was 1.7 percentage points higher than that of December last year, said the NBS.

Prices of new houses in January rose 11.3 percent from the same month last year, and were up 1.7 percent from December last year.

In January, prices of second-hand houses in the 70 main cities rose 8 percent from the previous year, and 0.9 percent from the previous month.

- China's PPI up 4.3% in Jan. (11<sup>th</sup> February)

The producer price index (PPI), a major measure of inflation at the wholesale level, rose 4.3 percent in January from a year earlier, the National Bureau of Statistics (NBS) announced Thursday.

It quickened from 1.7 percent in December 2009 when the figure ended 12 months of decline.

Analysts said the domestic price reform of major resource products and rising international commodity prices accelerated the PPI growth.

In breakdown, the price of crude oil surged 70 percent, and that of raw coal was up 5.3 percent.

Non-ferrous metal price rose by a quarter.

- China's CPI rises 1.5% in January (11<sup>th</sup> February)



China's consumer price index (CPI), a main gauge of inflation, rose 1.5 percent year on year in January 2010, the National Bureau of Statistics (NBS) announced Thursday. Food prices went up 3.7 percent last month year on year, with non-food prices edging up 0.5 percent from a year earlier.

The figure advanced 0.6 percent in November 2009, ending nine months of decline. China's CPI in January was 0.6 percent up compared with last December, with food prices up 1.8 percent month on month in January, said the NBS.

China's CPI rose 1.9 percent year on year in December last year, as freezing weather since November helped push up food prices.

The producer price index (PPI), a major measure of inflation at the wholesale level, rose 4.3 percent in January from a year earlier, quickening from 1.7 percent in December 2009 when the figure ended 12 months of decline.

- Chinese shoemaker coalition supports nation's WTO action against EU shoe levy (11<sup>th</sup> February)

A business coalition made up of more than 100 Chinese shoemakers, material and machinery providers, issued a statement here Wednesday voicing support for China's decision to launch action in the WTO against EU duties on Chinese shoes.

China filed the complaint with the WTO (World Trade Organization) on Feb. 4, after the EU's decision to extend anti-dumping duties.

In the statement, the coalition said it was an active participant throughout the EU's investigation and that it believes the EU measure ignores the economic situation of the global shoe industry and hurts the EU industry's longer-term interests.

The coalition said, "China's decision is an important step to ensure the country's legitimate trade interests are protected under the WTO legal framework."

"The challenge through the WTO to the EU's imposition of the anti-dumping duties is justified. It is not a case of China throwing its weight around, but merely a WTO member taking its first step in protecting its trade interests," Wu Zhenchang, president of the coalition and chairman of the board of Guangdong-based shoemaker Chuangxin, said.

"The EU's anti-dumping duties on Chinese shoes don't make any sense and it harms the commercial interests of both the EU and China," he said.

Wu also said some leading European business, consumer and retail organizations have challenged the measures.

Under WTO dispute settlement procedures, the EU and China have 60 days after the complaint is filed to find a solution to their dispute through consultation. If consultation fails, China can ask for a WTO expert panel to investigate and rule on the dispute.

- China's 2009 coal imports triple after stimulus increases demand (11<sup>th</sup> February)

The volume of China's coal imports more than tripled in 2009 from a year earlier as the country's economic stimulus package boosted demand.

China's coal imports jumped 2.1 fold to 130 million tonnes in 2009 from a year earlier, with the average price being 84 U.S. dollars per tonne, the General Administration of Customs (GAC) said Wednesday in a statement on its website.

GAC attributed the surge to higher domestic coal prices and a supply shortage caused by the increase in demand after the economic stimulus package came into effect, which

pushed up demand for high-quality coking coal in the steel, cement and chemical industries.

Domestic coal prices rose higher in fall and winter, boosted by increasing demand for heating, GAC said.

The country's coal exports stood at 22.4 million tonnes last year, down 50.7 percent year on year. The exports totaled 2.38 billion U.S. dollars in value, a year-on-year decrease of 54.7 percent, according to GAC.

- China, Kazakhstan companies ink deal on hydropower station (11<sup>th</sup> February)

China Gezhouba Group Co., Ltd (CGGC), a leading State-owned enterprise of infrastructure construction in the country, has signed a 4.97 billion yuan (727.78 million U.S. dollars) contract with a Kazakhstan company on a hydropower project, said CGGC Thursday.

In a statement to the Shanghai Stock Exchange, CGGC said the contract with Kazakhstan Natural Gas Technology Co., Ltd. will allow it to construct a hydropower station, with an installed capacity of 254 megawatts, on the Chilik river in Alma-Ata, Kazakhstan.

The project will last 57 months.

Given that the contract is a long-term one, CGGC predicts little influence on its net profit in 2010. According to the statement, the contract is yet to be approved by either government.

Shares of the CGGC opened slightly lower at 13.41 yuan per share, up 1.13 percent compared with Wednesday's close.

- Chinese steel mills close to 40% iron ore price rise (12<sup>th</sup> February)

CHINA'S original "national economic security" objective for jailing Stern Hu has again been undermined, as breakaway Chinese steel mills are reportedly close to agreeing to a hefty 40 per cent increase in iron ore contract prices.

Such a rise would return the price of Australian iron ore close to the pre-financial crisis record set in 2008, which triggered the original investigation.

Industry and political observers say the chaotic nature of Chinese iron ore price negotiations and the awkward evolution of the case against Hu's iron ore sales team reflect China's internal steel industry, bureaucratic and political divisions.

Hu and three Chinese members of his Rio Tinto iron ore sales team were originally investigated and then detained in July last year for bribing steel mills and stealing state secrets to cause "huge loss to China's national economic security and interests".

But the allegations have since morphed into improperly obtaining commercial secrets and receiving bribes, as confirmed in the formal charges published by Xinhua news agency on Tuesday night and relayed yesterday to the Australian government, Rio Tinto and lawyers for the four defendants.

Donald Clarke, professor of law at George Washington University, said the detail of this week's charges was puzzling. "Receiving bribes is a bit like stealing from the company," he said. "But when Rio Tinto is not claiming to be harmed and has not been informed of any injury, then it is very odd."

A spokesman for Foreign Minister Stephen Smith urged that the case be "handled transparently and expeditiously", while Rio Tinto iron ore chief Sam Walsh said his company was "very concerned about the nature of these charges".

Zhang Peihong, lawyer for defendant Want Yong, said he was "very surprised" by Xinhua's publication of the charges after business hours on Tuesday night, as lawyers had met with authorities and clients this week but had been given no inkling of what would ensue. A Beijing political observer told BusinessDay: "The decision on how to put an end to this incident was made at the very last minute, with intensified internal debate and fighting."

Similar signs of division have again surfaced with *Platts* industry newsletter reporting large steel mills close to securing a 40 per cent price rise on new annual iron ore contracts. "China's five largest steel makers have indicated a willingness ... to pay provisionally 40 per cent more in 2010-11 iron ore contracts compared to the 2009-10 benchmark price," said the report.

The *Platts* report said the five mills, which implicitly include Baosteel, the anointed industry lead negotiator, gave tentative agreement in individual discussions but balked at setting a new industry-wide benchmark, which would be certain to cause more conflict with the industry association.

Mr Zhang said the trial of the four Rio employees was likely to be held soon after Chinese New Year and might be closed to the public, given commercial secrets are involved.

<http://www.smh.com.au/business/chinese-steel-mills-close-to-40-iron-ore-price-rise-20100211-nv8c.html>

- Chinese shares rise on central bank's reaffirmation of moderately easy monetary policy (12<sup>th</sup> February)

Chinese equities rose Friday as the central bank repeated its stance to continue implementing the moderately easy monetary policy, easing concerns about a tightening policy.

The benchmark Shanghai Composite Index gained 1.09 percent, or 32.63 points, to 3,018.13 points. The Shenzhen Component Index gained 0.66 percent, or 80.18 points, to 12,304.78 points.

Combined turnover increased to 114.07 billion yuan (16.7 billion U.S. dollars) from 112.52 billion yuan on the previous trading day.

Gainers outnumbered losers by 794 to 79 in Shanghai and 804 to 72 in Shenzhen.

- China seeks to ease pace of lending (12<sup>th</sup> February)

Investors have been reacting nervously to new measures from the Chinese central bank that restrain credit, fearing that any slowdown in the world's fastest-growing economy could affect the global recovery.

So when China on Friday ordered commercial banks to increase the amount of reserves they hold for a second time in a month – reserve requirements will increase by 50 basis points from February 25 – stocks were hit on European and US markets.

But economists in China say the increase in reserve requirements is not part of a decision to slam the brakes on lending.

The central bank always injects substantial liquidity into the country's financial market ahead of the Chinese new year holiday, which begins on Saturday and when the demand for cash is high. The higher reserve requirements, which kick in after the break, are one way to withdraw that liquidity.

Easy credit has been at the heart of China's rapid recovery over the past year, which saw the economy expand by 10.7 per cent in the fourth quarter. Chinese banks issued a record Rmb9,600bn in new loans last year, about double the amount from the previous year.

Financial markets around the world have been rattled by measures taken in recent weeks by the Chinese authorities to ease the pace of new lending, with many investors fearing that tighter monetary policy in China could slow the economy sharply. In mid-January, several banks were ordered to suspend new lending until the end of the month.

Economists in China point out that the authorities have not reduced the planned target for new lending this year of Rmb7,500bn (\$1,096bn, £701bn, €798bn). They have been trying to prevent banks from front-loading a substantial part of their annual lending quota into the early months of the year to prevent overheating of the economy.

“It is important to understand that the monetary authorities' main policy intention is to smooth credit creation, not to curb overall credit conditions and real economic activity,” said Qian Wang, economist at JPMorgan Chase.

“We would like to reiterate this should not be viewed as outright tightening. The market should get used to it,” said Qing Wang, economist at Morgan Stanley in Hong Kong.

That said, some economists believe the Chinese authorities should be taking tougher measures to restrain credit growth because of the risk of a spike in inflation in the coming months.

“We believe the credit growth in January was excessive given the pace of real economic activity growth,” said Yu Song and Helen Qiao at Goldman Sachs in a note published before the new increase in reserve requirements.

New lending in January reached Rmb1,390bn, up from Rmb379.8bn the previous month.

- American shares of Chinese stocks mostly fall on regulators' latest move to curb lending (12<sup>th</sup> February)

U.S.-traded shares of Chinese companies mostly traded lower Friday after China moved to curtail bank lending and cool down its fast-growing economy.

The Bank of New York Mellon China ADR Index fell 1.5 percent to 361.30 in afternoon trading.

Chinese regulators on Friday ordered banks to increase reserves by half a percentage point — to 16.5 percent for large lenders and 14.5 percent for smaller institutions. Rural lenders that serve farmers were exempted to guarantee adequate credit for agriculture.

It was the second time in a month that Chinese regulators said they would force banks to reduce their lending. The moves are aimed at trying to contain rapid economic growth in China to prevent speculative stock and real estate bubbles. Regulators also are concerned that the flood of money through the economy is adding to inflation.

Friday's announcement sent European bourses and Wall Street stock futures into the red. American Depositary receipts of Aluminum Corp. of China Ltd. dropped 98 cents, or 4 percent, to \$23.63 in afternoon trading, while China Petroleum & Chemical Corp. fell \$1.72, or 2.2 percent, to \$75.29. China Real Estate Information Corp. declined 32 cents, or about 3.3 percent, to \$9.44.

CNinsure Inc., an insurance agency and brokerage, fell 30 cents to \$19.87, and Kongzhong Corp., a wireless entertainment provider, slipped 14 cents to \$8.55.

Meanwhile, ADRs of medical device maker Mindray Medical International Ltd. fell 83 cents, or 2.2 percent, to \$36.31. Online gaming company Perfect World Co. fell 69 cents to \$37.06, while Semiconductor Manufacturing International Corp. declined 14 cents, or 3.3 percent, to \$4.15. Sinopec Shanghai Petrochemical Co. Ltd. fell 46 cents to \$35.96, educational services provider ChinaEdu Corp. slipped 6 cents to \$7.39, and China Southern Airlines Co. lost 8 cents to \$17.34.

[http://www.canadianbusiness.com/markets/market\\_news/article.jsp?content=D9DQRU303](http://www.canadianbusiness.com/markets/market_news/article.jsp?content=D9DQRU303)

- US copper settles lower on China tightening fears (12<sup>th</sup> February)  
U.S. copper futures ended down for the first time in five sessions on Friday, under pressure from a combination of dollar strength, mixed economic data, and further monetary tightening moves in China.

- China's central bank raises banks' reserve deposit ratio by 0.5 percentage points (12<sup>th</sup> February)

The People's Bank of China (PBOC), the country's central bank, announced Friday it will raise the deposit reserve requirement ratio (RRR) for Chinese financial institutions by 0.5 percentage points from Feb. 25 this year.

The ratio would not change for small financial institutions, such as the rural credit cooperatives, as the PBOC wants to support the "sannong" -- farmers, rural areas, and agriculture -- and the county-level economy.

The move targets the "comparatively loose liquidity" while keeping the "moderately easy" monetary policy unchanged, an unnamed PBOC spokesman said.

With the adjustment, the RRR for Chinese large financial institutions rises to 16.5 percent, while the RRR for small financial institutions remains unchanged at 13.5 percent.

The rise is the second for the deposit ratio this year. The deposit ratio was last raised on Jan. 18, 2010. The central bank had held the deposit ratio steady since it last cut it in December 2008.

"The increase in the deposit ratio is within expectations and it is a normal move for a central bank to manage liquidity," said Liu Yuhui, economist with the Chinese Academy of Social Sciences, a government think tank.

A moderate withdrawal of liquidity will help ease inflationary pressures, Liu added.

The country's January consumer price index (CPI), the main gauge of inflation, increased 1.5 percent from a year earlier.

Although the Jan. CPI was lower than market expectations, that was because of the high comparison base of January 2009, the month the lunar New Year fell, Liu said.

The index is likely to hit 2.5 percent in February, as the Lunar New Year holiday falls between Feb. 13 and 19 this year, he added.

The 0.5-percentage-point increase in the deposit ratio will help freeze 300 billion yuan (43.9 billion U.S. dollars) in liquidity, said Li Huaiding, an analyst with Guosen Securities.

The central bank said in its quarterly report Thursday the country will continue to keep a moderately easy monetary policy but would enhance the focus and flexibility of policy according to new conditions.

The PBOC said it would work to balance stable and comparatively fast economic growth with the adjustments in the nation's economic structure, while managing inflation pressures.

The PBOC cut the bank reserve requirement ratio four times during the second half of 2008 to stimulate growth, as the global financial crisis weighed on the economy.

China announced on Nov. 5, 2008 a shift in monetary policy from "tight" to "moderately loose", to help the national economy ride out the global slowdown.

Thanks to the 4-trillion-yuan economic stimulus package, the proactive fiscal policy and moderately easy monetary policy, China's economy grew 10.7 percent year-on-year in the fourth quarter of 2009, accelerating from 9.1 percent in the third quarter, 7.9 percent in the second quarter and 6.2 percent in the first quarter.

New yuan-denominated loans in 2009 totaled 9.6 trillion yuan, nearly double the 2008 figure of 4.9 trillion yuan.

- China's policy to encourage auto-buying shows effect: ministry (13<sup>th</sup> February)

China's policy allowing car-buyers to enjoy both a purchasing tax cut and old-for-new trade-in subsidies, which took effect on Jan. 1, was generating good results with increasing applications and subsidy handouts, the Ministry of Commerce said Saturday. In a brief statement posted on its website, the ministry said car buyers were actively responding to the new policy as there had been a significant rise in the number of subsidy applications.

Since Jan. 1 this year, both the average daily number of subsidy applications and subsidy handouts were more than double from that before the new policy was introduced, according to the statement.

The ministry did not give specific figures on either the number of applications or amount of subsidies handed out.

As of Feb. 12, more than 23,000 units had been sold, worth over 3.3 billion yuan (483.2 million U.S. dollars), in which buyers enjoyed the two incentives, it said.

China adjusted the auto tax-cut policy and old-for-new program in January this year, with a view to boosting domestic consumption.

Starting Jan. 1, the purchasing tax rate on vehicles with engine sizes of 1.6 liters or less was set at 7.5 percent, 5 percent higher than last year but still 10 percent less than 2008 and before.

At the same time, China has also started offering higher subsidies to vehicle owners who swap old vehicles for new ones, between 5,000 yuan to 18,000 yuan per unit. Before Jan.

1, subsidies for the old-for-new program was 3,000 yuan to 6,000 yuan per unit based on the model of vehicle.

The government also has allowed car-buyers to enjoy both incentives, instead of just one in 2009.

China, the world's largest car market, continues to experience robust car sales. In January, China's auto sales more than doubled from a year earlier to exceed 1.6 million units, a new record, according to the China Association of Automobile Manufacturers (CAAM).

- ABC sets no time frame to list shares (13<sup>th</sup> February)

The Agricultural Bank of China Friday said it has no specific time frame for its planned listing, triggering market speculation that the bank may consider the current market conditions too weak to launch an initial public offering.

"The bank has no specific initial public offering plan," the Beijing-based bank said Friday on its Website. "We are now focusing on pushing forward our rural financial services reform."

ABC is the only one among China's big four state-owned banks yet to go public. Its rivals - the Industrial and Commercial Bank of China, the Bank of China and China Construction Bank - are all listed in Shanghai and Hong Kong.

The bank has been planning to list for years. It said earlier that it would wrap up its IPO preparations in 2009 but has so far not revealed its listing timetable.

The weak market sentiment may not be a golden time for the bank to consider its listing move, analysts said.

Several IPOs debuted below their offering prices in China recently.

The bank received a US\$19 billion government cash injection in November 2008 and restructured into a shareholding company in January last year, paving the way for its listing.

- Chinese equities jump 50% in Year of Ox (13<sup>th</sup> February)

Chinese shares rose notably in the Year of Ox, with the benchmark Shanghai Composite Index jumping just more than 50 percent to close at 3,018.13 points on Friday, the last trading day in the Year of the Ox.

On Friday, the key Shanghai index gained 1.09 percent, or 32.63 points, to 3,018.13 points, standing above the psychologically-important 3,000 points level.

The Shanghai Composite Index opened at 2,008.13 points on Feb. 2 of 2009, the first trading day in the Year of the Ox, which fell on Jan. 26 of 2009.

The Lunar New Year is China's traditional and most important holiday for family reunion. Chinese people will say goodbye to the Year of the Ox and welcome the Year of the Tiger on Feb. 14 this year.

Wang Fan, an analyst with Donghai Securities, said despite poor performance at the end of Year of Ox, a 50-percent rise of the key Shanghai index was good enough to call last year as a bullish year.

However, the Chinese stock market in the Year of the Tiger will be greeted with a piece of somewhat bad news when trading resumes on Feb. 22, the first trading day, after the Chinese central bank announced rise of banks' reserve deposit ratio late Friday.

The People's Bank of China (PBOC), the country's central bank, announced Friday after the closing of the stock market that it would raise the deposit reserve requirement (RRR) ratio for Chinese financial institutions by 0.5 percentage points from Feb. 25 this year. The move targets the "comparatively loose liquidity" while keeping the "moderately easy" monetary policy unchanged, an unnamed PBOC spokesman said.

Li Xianming, a senior analyst with Ping'an Securities, said the RRR adjustment would have a psychological impact on investors over the direction of China's future monetary policies.

But he maintained that a 10-day holiday would give the market and investors enough time to absorb the impact of that news.

- Banks in China told to put more in reserve (13<sup>th</sup> February)

China Friday asked banks to freeze more money from lending, the second time this year it has taken such a step to cool the fast-growing economy.

The reserve ratio - the share of deposits a bank must set aside as reserves - will increase 0.5 percentage point on yuan deposits starting February 25, the People's Bank of China, the central bank, said on its Website Friday.

The announcement's timing came as a surprise, one day before the Spring Festival week-long break for local financial markets, but economists said it was a well-put step to soak up liquidity quickly after the Chinese New Year.

China's previous reserve increase was announced on January 12, the first increase since June 2008.

"The move follows the sizzling monetary growth in January. It shows the central bank's firm hand to put a brake on the rapid growth of money supply," said Lu Zhengwei, an Industrial Bank senior economist.

M2, the broadest measure of money supply, jumped 26 percent last month - far beyond the central government's target of 17 percent annual growth for 2010.

### **Ahead of curve**

January new-yuan lending totaled 1.4 trillion yuan (US\$200 billion), almost one-fifth of the planned 2010 total of 7.5 trillion yuan.

"The central bank has to move ahead of the curve before inflation starts to pick up," Lu said. "Besides, it's not the first time for the central bank to announce reserve increases just ahead of the Spring Festival."

China's big-five state-owned banks, including the Industrial and Commercial Bank of China, must meet a ratio requirement of 16.5 percent while smaller joint stock banks must put aside 14.5 percent of their capital.

Rural cooperatives are exempt from the ratio rise. The central bank said it wanted to support development in rural areas, especially during the spring planting season.

The reserve requirement increase can help drain more than 200 billion yuan (US\$29 billion) from the market.

### **Controlling boom**

"This is all about controlling the boom, so that we don't have a bust in the second half," said Stephen Green, a Standard Chartered Bank economist.

Green said the move is especially important to take out all that post-Chinese New Year liquidity quickly and easily.



The central bank said on Thursday that it can use multiple policy tools as it gradually guides monetary conditions back to normal from a crisis mode.

Banks in China extended 9.6 trillion yuan of new credit in 2009 in a moderately loose monetary policy to heat up the economy. By now, that has triggered mounting concerns about bubbles and overheating.

Urban property prices in China have surged on a tide of new bank lending since March 2009.

Housing prices in 70 major cities on the Chinese mainland jumped 9.5 percent last month, the most in 21 months.

## **Social front**

- Chinese Premier seeks opinions on draft of education reform plan (7<sup>th</sup> February)

Chinese Premier Wen Jiabao has held five meetings over the past month to seek opinions and suggestions on a draft featuring guidelines of an education reform plan of China for the next decade.

The document, entitled "State guidelines for middle- and long-term educational reform and development plan", is intended to chart the course for education development in China before 2020.

The country began working on the document in late August 2008, and a leading group with Premier Wen in charge, was set up to be responsible for the drafting efforts.

Among Wen's guests invited to Zhongnanhai in Beijing for the meetings were education experts, teachers, parents, students, and education administrative officials.

The invitees aired advice and suggestions on reforming the management system of colleges, improving quality of vocational education, reducing children's study loads, and loosening limitations on the education of migrant workers' children in cities at the meetings held from Jan. 11 to Feb. 6.

Wen said the reform plan must stick to principles including emancipation of the mind from shackles of traditional concepts and system to realize scientific development in education, letting teaching faculty, instead of the administrative staff, play a leading role in schools, and advancing an equal distribution of educational resources.

Apart from the five meetings, other forms, such as opening a designated e-mail box, organizing Internet forums, and launching a special column with the website of the Ministry of Education have also been tried to solicit opinions and suggestions for drafting of the document.

After the fifth round of opinion soliciting on Saturday, the document would be made public so that more people in the country would participate in the consultation and extra advice be heard before the document could be revised and improved, said Wen.

- Premier Wen welcomes more foreign experts to work in China (9<sup>th</sup> February)

Chinese Premier Wen Jiabao Tuesday invited more talented foreigners to work in China, saying the country will improve services for them.

Wen made the remarks at a meeting with more than 20 representatives of foreign experts, who have helped in China's social progress.

Wen said China pays equal attention to attracting both investment and talented personnel, while utilizing science and technology to achieve sustainable development.

This calls for an active flow of talented foreigners to China to help with the nation's modernization drive, the premier said.

He urged related organs to improve policy and service level for all the foreign experts coming to work in China.

Isabel Crook, a 95-year-old Canadian expert in English teaching, gave her views on the key role that can be played by strong, vibrant rural communities.

She suggested the government reevaluate the current practice of closing primary schools in small villages and concentrating them in larger villages.

Other representatives of talented foreigners working in China, including Daniel Josphe Dudek, a U.S. expert in environmental protection area, and Jean Dorey, a French expert in the education sector, offered suggestions to the Chinese government for tackling environmental challenges and boosting cooperation in the education sector.

Wen listened attentively to their remarks and exchanged views.

Wen also extended festival greetings to all foreign experts and international friends working in China, as well as to their families. He expressed gratitude for their contributions to China's development.

- China to draft new poverty reduction guidelines for next decade (9<sup>th</sup> February)

China has decided to draft new guidelines for poverty reduction through development for the next ten years, according to a statement of an executive meeting of the State Council held Wednesday.

The meeting was chaired by Premier Wen Jiabao.

Participants of the meeting heard a report on the implementation of China's Rural Poverty Alleviation and Development Program (2001-2010).

The statement said that Chinese government has made great efforts to lift the rural poor out of poverty by development in the past decade and has met the United Nations Millennium Development Goal (MDG) to halve the the proportion of people living on less than one U.S.dollar a day "ahead of schedule".

Other strides achieved by China are: noticeable improvement in the economic strength and infrastructure in impoverished regions, ecological degradation being brought under control, according to the statement.

The country is also said to have made good progress in construction of a social security network, which has been extended to cover the nation's rural areas with the establishment of a minimum living standard system, the new rural cooperative medical system and the pilot old-age insurance system.

The statement said China had been charged with an uphill task in poverty alleviation due to factors such as a large impoverished population, frequent threats of natural disasters, deep-rooted conflicts restraining the development of the poor areas.

The poverty reduction departments were told to intensify the relief work by integrating the development of urban and rural areas, and uphold the policy of supporting the poor through economic development.

The statement also called for great efforts in the forthcoming decade to ensure the rural per capita net income enjoying a higher growth than the national average.

Efforts should also be made to gradually improve the health, the living standard, and capabilities of steady progress for the poor, said the statement.

- Senior leader urges religious believers to help promote development, stability (9<sup>th</sup> February)

China's top political advisor Jia Qinglin on Monday called for religious believers' role in promoting the country's economic development and social stability.

Jia, chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), made the remarks when meeting with heads of national religious groups.

He urged religious groups in the country to pool the wisdom and strength of believers to explore ways of helping promote economic and social development.

He also asked them to help consolidate harmonious religious relations and help religious people build up national consciousness, civic consciousness and legal consciousness to ensure social harmony and stability.

During the meeting, Jia, also a member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee, bid greetings to religious believers for the upcoming Lunar New Year, which falls on Feb. 14 this year.

He said 2009 was an important year for the country's religious work as the Party's basic policies on religious work were well implemented and people's religious freedom was fully ensured.

He said 2010 was a key year to cope with the financial crisis and it was also of great significance for the country's harmony and stability in the religious circle.

- New limits on death penalty use won't undermine public safety, say judges, experts (10<sup>th</sup> February)

A Chinese court official said the country's new guidelines to limit use of the death penalty will not undermine public safety, reassuring citizens concerned about public safety and social stability.

"The limited use of the death penalty won't result in a less vigorous crackdowns on crimes or negatively affect social stability. It's reasonable to administer justice tempered with mercy when it comes to the death penalty," Gao Guijun, a judge with the Supreme People's Court (SPC), told Xinhua Wednesday.

Parts of the new guidelines raised public concern, especially the article that recognizes financial compensation as a factor possibly reducing sentences. Some citizens interpreted the article as meaning "money can buy a life."

"This rule is mainly for criminal cases which had their genesis in civil conflicts. As for those who severely harm national security or social order, or those who violate people indiscriminately with serious malicious intent, compensation won't bring any mercy," Gao said.

China's Supreme People's Court announced Tuesday guidelines for courts handling criminal cases. The guidelines require the courts to apply the policy of "justice tempered with mercy," which stresses that death penalty use should be limited.

The guidelines say the death penalty should be "resolutely" handed down to those who have committed "extremely serious" crimes, but that the punishment should be reserved for the tiny minority of criminals against which there is valid and ample evidence.

"Reprieves and commutation were widely used in the past sentencing of ex-officials who took advantage of their public position. This should be changed," said Qu Xinjiu, head of the law school at Beijing-based China University of Political Science and Law.

According to the guidelines, commutation and paroles for such officials, especially those at county-level or above, are required to be heard at court.

Sun Jungong, spokesman with the SPC, said the guidelines emphasized the relationship between law enforcement and the policy of "justice tempered with mercy."

The guidelines are an interpretation of the "justice tempered with mercy" policy and details on the judicial principles to be used when handling criminal cases, Sun said.

The "justice tempered with mercy" policy was first enacted in a document approved in 2006 by the Sixth Plenary Session of the 16th Central Committee of the Communist Party of China.

The policy required courts to issue both severe and lenient sentences, depending on the seriousness of each crime.

- Senior Chinese leader visits noted cultural figures ahead of festival (10<sup>th</sup> February)

Senior Chinese leader Li Changchun on Wednesday paid visits to some famous cultural personages ahead of the traditional Lunar New Year, urging them to work hard for the country's cultural prosperity.

Li, a member of the Standing Committee of the Political Bureau of the the Communist Party of China (CPC) Central Committee, extended festive greetings to these calligraphers and musicians on behalf of President Hu Jintao and the CPC Central Committee.

At their homes, he expressed hope that distinguished cultural workers like them would produce more quality works in 2010.

He called on them to play exemplary roles in pushing forward the country's cultural prosperity and make more contributions to the great rejuvenation of the Chinese nation.

The Chinese lunar New Year, or Spring Festival, falls on Feb. 14 this year.

- Heavyweight commission highlights China's determination to ensure food safety (10<sup>th</sup> February)

China's State Council has set up a food safety commission consisting of three vice premiers and a dozen minister-level officials, following a string of nationwide crackdowns and arrests in the wake of new melamine-tainted milk products being discovered.

The lineup of the commission's members, which was announced Wednesday, includes Vice Premiers Li Keqiang, Hui Liangyu and Wang Qishan, as well as more than ten heads or vice heads of government departments in charge of health, finance, and agriculture among others.

The high-profile establishment of the commission showed the Chinese leadership's determination to address the country's food safety issues, Prof. Wang Yukai with Chinese Academy of Governance told Xinhua Wednesday.

The State Council's announcement followed reports of a number of melamine contaminated milk products being found in Shanghai as well as Liaoning, Shandong, and Shaanxi Provinces in recent months.

"The reemergence of the tainted milk products is a sign that China's food safety system is far from perfect," Wang said.

Hopefully, the establishment of the new food safety commission would make melamine-laced milk a thing of the past, he said.

"With a powerful vice premier in charge of coordinating the government departments in dealing with food safety issues, ... the new commission is expected to spot problems with China's current food safety system and to solve them before they lead to tragedies," Wang said.

Food safety drew national attention in China in 2004, when at least 13 babies died from malnutrition in the eastern province of Anhui and another 171 were hospitalized, after consuming shoddy infant milk powder that contained too little protein.

In November 2006, the country's food safety watchdog found seven companies producing salted red-yolk eggs with cancer-causing red Sudan dyes to make their eggs look redder and fresher.

And then in 2008 there was the melamine milk scandal. Milk laced with melamine led to the deaths of six babies and sickened 300,000 others who had been fed with baby formula made from tainted milk.

The scandal destroyed the credibility of China's dairy industry and seriously damaged the "made in China" brand internationally.

"China had learned its lesson in food safety the hard way," Wang said.

But food safety still remains a concern in the country to this day, due to inadequate coordination, poor law enforcement and supervision of government departments, he said.

In the recently reported melamine-tainted milk cases, some of the tainted milk products were apparently made of old batches of tainted milk powder slated for destruction but hoarded away instead by dairy firms and later repackaged.

"The reason why the melamine-tainted milk powder was not completely destroyed and instead reused in production lies in inadequate law enforcement and supervision," said Wang Wei, also a professor from the Beijing-based Chinese Academy of Governance.

The new food safety commission should play its role in supervising enterprises shoulder their own responsibilities to abide by the laws and regulations.

His view was echoed by Prof. Zheng Yongnian, director of East Asian Institute, National University of Singapore.

"Food safety incidents not only happen in China, but in developed countries as well," Zheng said, "The key to solve the problem is government supervision, and effective enforcement of the laws."

He said the establishment of the commission highlights that China is further adjusting the relations between government and market. And China's market economy is at such a stage of development that government must play a strong role in regulating it.

"A commission headed by Li Keqiang and seated by more than a dozen of minister-level officials would certainly enhance coordination between government departments and improve the government's supervising and enforcement abilities," he said.

Wang Yukai also said effective coordination between different government departments strengthened by the food safety commission would help with China's decision making when dealing with food safety issues.

"As far as I know, food safety is regulated by multiple government departments in all countries. What is vital is coordinating them to work together well with force," he said.

In addition, the government departments tended to "fix problems after they occur ... instead of finding them before they get too big," he added.

With the new commission in place, however, government coordination could be carried out more smoothly, and government heads would sit together to find problems with the food safety system and solve them, he said.

- China allocates 3 bln yuan to fund urban students (12<sup>th</sup> February)

China's central government has earmarked 3.17 billion yuan (463.9 million U.S. dollars) to cover tuition fees of city-born children in primary and junior high schools nationwide, the Ministry of Finance (MOF) announced Friday.

The money is to fund city children's tuition and miscellaneous fees in the coming semester starting after the Spring Festival holiday, the MOF said in a statement on its website Friday.

The Lunar New Year, the most important Chinese holiday, falls on Feb. 14 this year.

The government announced in 2008 that city children would be exempted from paying tuition and miscellaneous fees for their nine-year compulsory education, which benefit more than 28.2 million children.

- China allocates 37.2 bln yuan for medical reforms in 2010 (12<sup>th</sup> February)

China's Ministry of Finance (MOF) announced Friday that the central government had allocated 37.2 billion yuan (5.45 billion U.S. dollars) to subsidize nationwide medical reforms.

Specifically, 22 billion yuan will be used to subsidize a new type of rural cooperative medical care system, 3.7 billion to subsidize basic medical insurance for urban residents, 3.2 billion to urban and rural medicaid and 8.3 billion to basic public health services, according to a statement on the ministry's website.

The funds would be mainly used to "subsidize the nationwide medical insurance program, help disadvantaged people visit the doctor, and provide certain public health services free of charge for urban and rural residents," according to the statement.

The Chinese government passed a medical reform plan in January 2009, which aims to spend 850 billion yuan by 2011 to provide universal health care to the country's 1.3 billion population.

- China says most tainted milk products recalled, destroyed (13<sup>th</sup> February)

Most of the melamine-tainted milk products recently resurfacing in China have been recalled and destroyed, and none has been put into market or exported, the nation's food safety office said Friday.

"Due to early discovery and timely check, as of now, most of the tainted milk products have been recalled and destroyed, and none has entered the market or been exported," said the National Food Safety Rectification Office in a statement.

Media reports said melamine-tainted dairy products have resurfaced in several Chinese provinces. Explaining why such cases could happen, the office said some producing and processing companies didn't fulfil the responsibilities for food safety and some violators hid tainted milk products or fabricated test reports to dodge inspections.

The office urged related departments at all levels to thoroughly investigate the new cases and severely punish violators.

In 2008, milk laced with melamine led to the deaths of six babies and sickened 300,000 others who had been fed with baby formula made from tainted milk. Melamine is an industrial compound which can give a false positive on protein tests and cause kidney stones.

Melamine-contaminated milk products killed at least six children in 2008 and sickened 300,000

In the recently reported melamine-tainted milk cases, some of the tainted milk products were apparently made of old batches of tainted milk powder slated for destruction but hoarded away instead by dairy firms and later repackaged.

- Spring Festival tests single, cash-strapped white collars (13<sup>th</sup> February)

### **HIGH COST OF RETURNING HOME**

Most white collars said they were reluctant to return home because of the high cost, mainly of round trip tickets and red envelopes (called hongbao, with cash inside) they must give to their parents and relatives, according to online surveys initiated by several newspaper websites and web portals.

Other popular reasons included no girlfriend or boyfriend to please parents, difficulties in buying train tickets, unwillingness to suffer in crowded and smelly coaches, as well as peer pressure.

While the old generation in rural areas and small towns stayed in their hometown, many of their children, or to be precise the generation who were born after 1970s and received higher education, have fearlessly flocked to bigger cities to seek a better life, as the country's booming economy and rapid urbanization of the past decades have created more opportunities.

But it is never easy to get by in an unfamiliar city alone, and the situation may get tougher with rising house prices and the ever increasing competition for jobs with three or four million college graduates pouring into the job market every year.

The social convention for breadwinners to give red envelopes to elders and children at Spring Festival puts them under a great amount of pressure.

"I bought gifts for my parents, but no cash. I will do more house chores as compensation," Guo said, who has a moderate annual income of about 65,000 yuan (about 9,500 dollars).

Guo also said he planned to share stories of his work experience in Beijing with children in his family instead of doling out red envelopes.

"Money is good, but everyone has to consider their own ability. I think my experience in the outside world is worth more than money to them," Guo said.

A round trip ticket, usually with no discount at this time of the year, is not cheap either, which in some cases may be equal to a migrant worker's monthly income. And rampant train ticket scalping has raised prices considerably for many during the Spring Festival holiday period, which experiences the world's largest annual human migration.

"A few of my friends queued up overnight outside ticket offices, and others bought tickets from scalpers. But I hate scalpers because their profits are made illegally, and I'd rather take long-distance buses even if they might be not as safe as trains," Guo said.

Nationwide railways are estimated to deliver over 210 million passengers during the season, while millions of other people turn to airlines or long-distance buses.

Still, some white collars have decided not worry so much about saving money and figured out another way for family reunions -- by inviting their parents to the cities where they live. Traveling in the opposite direction from rural areas to cities can help avoid the rush.

Wang Yuguang, a 27-year-old dentist in Beijing, brought his parents from their hometown Jilin Province in northeast China and let them live in his newly bought house for the holiday.

"I want to accompany them to visit parks and temple fairs," Wang said.

A survey conducted by Sohu.com showed that 22 percent of respondents were reluctant to return home because they did not have a girlfriend or boyfriend, following the 52 percent saying they were short of money.

Most Chinese parents think that adult children should get married no later than 30 years old, and Guo admitted that his marriage issue was the biggest concern of his parents.

"My dad once placed a marriage-seeking advertisement in the newspapers for me, and even suggested I do a TV ad," Guo said, adding that he was more stressed at classmate parties during the festival because most of his classmates were married.

"But after all, my parents still hope I can find someone that I really love and who will suit me." Guo said.

- Chinese police tighten security for Spring Festival holidays (13<sup>th</sup> February)

Chinese police nationwide were urged Friday to tighten security and step up safety overhaul during the Chinese Lunar New Year and be "ready to handle emergencies to prevent serious accidents."

A circular from the Ministry of Public Security told local police authorities to increase scrutiny of fireworks parties, trade fairs, lantern shows, and temple fairs during the Spring Festival holiday which starts Saturday.

It said the police should assist in keeping public and traffic order around large events' venues and be ready to handle crime and emergencies.

Efforts should be made to strengthen security measures around train stations. Police authorities must release "safety tips" to the public through radio, newspapers and cell phone messages, it said.

More than 10,000 large events, including traditional temple fairs, will be held across the country during the seven-day holiday, with more than 320 events expected to attract more than 10,000 people each.

The latest ministry statistics show police solved nearly 1,200 homicide cases and 915 human trafficking cases last month.

Police also arrested nearly 470 suspects for using telephones to scam or defraud people in January, saving 3.45 million yuan (507,000 U.S. dollars) in economic losses.

Last month, the police busted nearly 2,000 bases for illegal fireworks' manufacture, sale, or transportation.



The Spring Festival, or the Lunar New Year, falls on Sunday. It is the most important annual Chinese festival, with family reunions, much fun and plenty of eating.

- China needs 10 years to "fundamentally" improve coal mine safety: official (13<sup>th</sup> February)

China's coal production safety record has improved over the past 10 years, with annual fatalities at coal mines falling from a peak of 6,995 deaths in 2002 to 2,631 in 2009, according to Zhao Tiechui, head of the State Administration of Coal Mine Safety (SACMS).

Zhao said China reported over 20 major coal mine accidents (with death toll of more than 10) in 2009, much less than the peak of 70. For each 1 million tonnes of coal produced, the mortality rate has fallen from 5.4 to less than 1 in 2009.

Zhao, however, warned that China's coal mines were still accident-prone and the world's largest coal-producing country still faced a difficult task in improving its coal mine safety. He said China, which set up the SACMS 10 years ago to improve the safety conditions of coal mines nationwide, would still need another 10 years to "fundamentally improve" China's coal production safety record.

Zhao said China's coal-dominated energy mix would not change drastically in the next several decades and the country's coal production was expected to surpass 3.1 billion tonnes in 2010.

"Coal mine safety is still a big problem," he said. "Awareness of safety and rule of law is still low in some coal-rich areas and some coal enterprises."

China's annual coal production jumped from just over 1 billion tonnes in 2000 to almost three billion tonnes in 2009. Currently 70 percent of China's primary energy generation comes from coal.

With regards to safety, the complicating factor was that around 90 percent of more than 10,000 coal mines in China were small, and their safety record was far worse than large operations, he said.

For each 1 million tonnes of coal produced, the death toll at small mines is eight times that of large state-owned ones.

In 2009, coal produced by small mines accounted for 35 percent of national total, but the accidents and fatalities at them accounted for nearly 70 percent of the total, Zhao said.

He said 1,088 small coal mines were closed last year, and a total of 13,000 small coal mines had been shut down since 2005.

## **Ethnic issues**

- In New Video, Uighur Jihadists Claim Attacks in China (11<sup>th</sup> February)

The Islamic Party of Turkestan (IPT), an Uighur jihadist organization, released a video on February 10, 2010 in which it claimed to have carried out a number of attacks in China in 2009, in retribution for the events of July 2009 in Urumqi.

The IPT is currently based in Waziristan; the extent of its presence in Xinjiang and China proper is a matter of dispute. The video was produced by the IPT's media wing Islam Awazi, and was distributed by the Al-Fajr Media Center.

[http://www.memri.org/report/en/0/0/0/0/0/3966.htm?utm\\_source=twitterfeed&utm\\_medium=facebook](http://www.memri.org/report/en/0/0/0/0/0/3966.htm?utm_source=twitterfeed&utm_medium=facebook)

## **Environmental front**

- China to increase LNG import to address shortage: energy official (8<sup>th</sup> February)  
China would make efforts to import more liquefied natural gas (LNG) to cope with supply shortage, said head of China's National Energy Administration (NEA) on Sunday. Zhang Guobao, also vice-minister of the National Development and Reform Commission, made the statement at a press conference in Beijing.

China would speed up the building of LNG terminals, natural gas pipelines, and storage facilities in the country's coastal areas, Zhang said.

China imported 3.5 million tonnes of LNG in 2009, equal to 5 billion square meters of natural gas, accounting for almost 6 percent of China's total gas consumption in the year, according to Zhang.

At the national work conference in December, Zhang said China would build more LNG terminals in Shandong Province and Zhuhai of Guangdong Province, and boost domestic production by further exploiting offshore reserves and major gas fields in central, western China.

Zhang said China had been diversifying its gas import sources which included Malaysia, Qatar, Papua New Guinea in addition to Australia and Indonesia. He also called on domestic enterprises to sign more long-term LNG import agreements.

- China's biggest bank ICBC to adjust lending to promote more eco-friendly economic growth (9<sup>th</sup> February)

China's largest bank, Industrial and Commercial Bank of China (ICBC), said Monday it would tailor its lending to promote more environmentally friendly economic growth.

Shifting China's economic growth pattern, a key task for the Chinese government, will usher in a development mode that is more energy-efficient, environmental-friendly, and more reliant on domestic consumption.

ICBC will boost lending to emerging strategic industries and the modern services sector, as well as to the recycling and low-carbon industries, according to a statement made at the bank's 2010 work conference.

The Beijing-based lender will also increase financing support for small enterprises and help boost domestic consumption.

The bank also said it would strictly control lending to high-pollution and energy-intensive projects and shut the door on lending to projects and enterprises in violation of national environmental protection standards.

- China issues first national census of pollution sources (9<sup>th</sup> February)

China on Tuesday issued its first national census of pollution sources, with data showing that the country's wastewater discharge totaled more than 209 billion tonnes while waste gas emissions topped 63.7 trillion cubic meters in 2007.

The result was announced at a press conference held at the State Council Information Office Tuesday morning.

"The census of pollution sources for the first time in the country is a significant survey on national situation. Its operations went smoothly and its main tasks were basically completed," said Zhang Lijun, Vice Minister of Environmental Protection, at the conference.

The census targeted nearly 6 million objects of industrial sources, agricultural sources, residential sources and centralized pollution control facilities, collecting 1.1 billion basic data on pollution sources.

Industrial pollutant discharges mainly concentrated in a small number of industries and areas, with prominent structural problems, Zhang quoted the census as saying.

Agricultural sources had notable influence on the country's water environment, therefore the prevention and control on agriculture source pollution must be placed into the environmental protection agenda so as to fundamentally solve the issue of water pollution, Zhang said.

According to Zhang, a database for the census was established covering environment-related information of nearly 6 million objects nationwide as a basis for administration and policymaking.

It took more than two years for over 570,000 staff to finish the census since the State Council made the decision in 2006 and the central government allocated 737 million (about 100 million U.S. dollars) for the project in 2007.

China faces big challenge of environmental deterioration amid its rapid economic development. Environmental experts had suggested that trustworthy statistics on the sources and extent of pollution was highly necessary for the country's effective and long-term pollution prevention and control.

- CNOOC says partner Husky finds 3rd deepwater gas field in South China Sea (9<sup>th</sup> February)

China National Offshore Oil Company Limited (CNOOC Ltd.) announced Tuesday its partner, Husky Oil China Limited, a subsidiary of Husky Energy Inc., has discovered a new deepwater gas field in the South China Sea.

The LiuHua (LH) 29-1 field is the third deepwater gas discovery made in Block 29/26 of the Pearl River Mouth Basin in the eastern South China Sea, after other discoveries in 2006 and 2009, CNOOC said in a statement on its website.

The well, drilled to a total depth of 3,331 meters with a water depth of about 720 meters, was tested to flow 57 million cubic feet (1.61 million cubic meters) of natural gas per day.

Zhu Weilin, executive vice president of the CNOOC Ltd. and general manager of exploration department, said the deepwater area is one of the major exploration efforts for CNOOC Ltd. in 2010.

The LH 29-1 field will be further appraised in 2010 by Canada-based Husky, which signed a production sharing agreement for Block 29/26 with CNOOC Ltd. in 2004.

According to the contract, CNOOC Ltd. has the right to hold up to 51 percent interest in any commercial discoveries in Block 29/26.

CNOOC Ltd. is the listed subsidiary of China National Offshore Oil Corporation, China's largest offshore oil company.

- China's pollution "likely to peak at earlier stage of growth" (10<sup>th</sup> February)

The country might see its pollution levels peak at an earlier stage of economic growth than expected, a senior environmental official said on Tuesday.

"China has taken a different growth path from developed countries so it is very likely that our pollution peak will come earlier," Zhang Lijun, vice-environmental minister, told a news conference in Beijing during a release of the first national pollution census.

The peak could occur when the country's per capita income reaches \$3,000, Zhang said.

China's per capita gross national income hit \$2,770 in 2008, a report from National Bureau of Statistics (NBS) showed.

Wang Yuqing, director of the national leading office for the pollution census, said the country's emissions of major air and water pollutants, sulfur dioxide and chemical oxygen demand (COD) - used to determine the amount of organic pollutants found in water - have already reached peak levels and started to come down, as a result of its stringent pollution reduction targets during the 11th Five-Year Plan period (2006-2010).

The national pollution census, which mapped more than 5.9 million sources of industrial, residential and agricultural waste throughout the country, showed that China discharged about 209 billion tons of wastewater and 63.7 trillion cu m of waste gases in 2007.

Most of the industrial pollution come from a small number of industries and are mainly concentrated in economically well-off areas, Zhang cited the census as saying.

For instance, 81.1 percent of industrial emissions of COD come from seven industries such as paper-making, textile, agricultural processing and chemicals, according to the census.

Similarly, six industries including power generation, heating, minerals and non-ferrous metal smelting account for 88.5 percent of total sulfur dioxide emissions.

A database for the census has been established to cover environment-related information nationwide, which can provide a basis for administration and policymaking, Zhang said.

Wang told China Daily the public will likely gain access to the database by the end of this year, while detailed pollution information for different industries will also be published in the future.

"Results from the pollution census largely conformed with our understanding about the country's environmental issues, such as the distribution of pollution sources," Zhang said.

The only difference between the census and previous environmental statistics comes from the amount of COD emissions, Zhang said.

While the NBS reported 13.8 million tons of COD emissions in 2007, the census showed that a total of 30.3 million tons of COD was discharged that year.

Zhang said the difference could be explained by the survey's expanded scope, adding in agricultural sources of wastewater, which contributed about 13.2 million metric tons, as well as residential sewage.

This also showed that agricultural pollution has a notable influence on the country's water environment, which means the prevention and control of agricultural wastes must be strengthened, Zhang said.

Wang Yanliang, a senior official from the Ministry of Agriculture, said livestock farming as well as the excessive use of fertilizer and pesticides are the major contributors to agricultural pollution.

"The government will continue to promote the construction of household biogas projects to deal with manure and animal waste," Wang said.

Greenpeace Campaign Director Sze Pang Cheung said the census has far-reaching implications for China's efforts to curb emissions.

"The Chinese government should use the statistics as the benchmark to prioritize the country's biggest pollution issues, review current measures and policies, and set up more stringent pollution control targets in the 12th Five-Year Plan," he said.

- China plans to build national renewable energy center: report (10<sup>th</sup> February)  
China plans to build a national renewable energy center to further shore up development of the industry, the China Daily reported Wednesday.  
The establishment of the center is in the preliminary planning stages, the newspaper quoted Han Wenke, director general of Energy Research Institute under the National Development and Reform Commission as saying.  
The center will be responsible for policy-making, key project and program management, market and industrial operations, database and information platform establishment as well as international exchanges, according to the newspaper.

Han made these remarks at the launch of a Sino-Danish Renewable Energy Development Program Tuesday, without providing further detail.

China made great progress in renewable energy growth last year. It accounted for 7.5 percent of the country's primary energy consumption in 2009 - or the equivalent of 230 million tons of coal, the newspaper quoted Liu Qi, National Energy Administration vice-director as saying at the same occasion.

"No matter what happens with international climate change negotiations, reducing fossil fuel consumption and developing renewable energy will be the best way to ensure a secure energy supply," the newspaper quoted Liu as saying.

- China issues rules on maritime wind energy projects with stress on environmental protection (10<sup>th</sup> February)

China has issued regulations on the development and construction of offshore wind power projects in a bid to promote reasonable use of sea space and resources and better protect oceanic environment.

The regulations, jointly issued by the National Energy Administration and the State Oceanic Administration (SOA), include 38 articles in ten chapters, according to a statement released Tuesday by the SOA.

The rules specify procedures and requirements for the planning of offshore wind energy developments, the authorization of such projects, the application and approval of the use of sea space, and construction verification, among others.

The rules stress that projects should be based on the principles of planning before major construction starts.

According to the regulations, energy departments at provincial level will be responsible for drawing up plans for local offshore wind energy development, while oceanic departments at the same level should provide initial opinions on the plans regarding the projects' impact on the ocean environment.

Such projects should be conducted according to reasonable distribution and sparing use of sea areas, the rules said.

In addition, projects may only be started after being verified by authorities and the obtaining of rights for the use of the sea space.

When it comes to uninhabited islands, projects should also receive certificates of island use, according to the procedures set out by the law of island protection.

The rules also require project principals to report on project's environmental impact with submissions to the oceanic administrative department.

- President Hu handwrites inscription for China's Antarctic base on first anniversary of operation (12<sup>th</sup> February)

Chinese President Hu Jintao has handwritten an inscription for China's Antarctic station, Kunlun, to celebrate the base's first anniversary of operation.

The Chinese characters handwritten by President Hu, also general secretary of the Communist Party of China (CPC) Central Committee and chairman of the Central Military Commission, have encouraged the members of China's 26th Antarctic expedition to carry out their mission with even greater efforts, team members said Thursday.

Team members said the inscription showed the Party and the State Council greatly support the polar expedition, promising to "make a great contribution to the mankind's peaceful use of Antarctica."

The Kunlun Station, established Jan. 27, 2009, is the country's first research station on the continent's inland. It is the only south pole station established at 4,000 meters above the sea level, which itself is a major step in polar exploration.

China dispatched its first Antarctic expedition team in 1984.

The 26th expedition team began its mission on Oct. 11 in Shanghai, with some 251 scientists, workers and crew members joining the six-month research project. The team will stay on the icy continent until April 10.

- UNEP chief says China played significant role in process leading up to Copenhagen (12<sup>th</sup> February)

Achim Steiner, UN Under Secretary- General and Executive Director of the United Nations Environment Programme (UNEP) told Xinhua in an interview on Friday that China played a significant role in the process leading up to Copenhagen Climate Change Conference.

"I think China played a very significant role in the process leading up to Copenhagen, and in a sense it became very engaged at the highest international political level in the process," the UNEP chief said.

Steiner noted that China took a significant step forward when it made its announcements of voluntary actions a few weeks before Copenhagen. And that sent a very important signal to the negotiations.

"We saw similar actions taken by Mexico, by South Africa, by Brazil, by Indonesia and also India. That created an opportunity," he said.

Steiner admitted that Copenhagen did not deliver what the world had hoped, which was a deal among developed and developing countries to achieve significant agreement in reduction of emissions. However, he maintained that it was also not the failure that some people had attributed to it.

"I think in history it shall be written as a missed opportunity. We are now focused on moving forward towards Mexico and the world has an opportunity to reach an agreement," he said to Xinhua.

On China's situation of environmental protection and carbon emissions reduction, Steiner said the nation has made rapid progress yet challenges still remain.

He stressed that China has begun to take a different development path. Chinese leaders and people have started to look at development also from a sense of balance. And therefore environmental protection and sustainable development have taken a far quicker

route of being addressed today than by some industrialized nations have done in historical terms.

"I think many of the measures the government is taking, from establishing a ministry of environmental protection to new legislation, to setting pollution standards, showed that in a period of just 10 to 15 years, China has walked a distance that some other countries had taken 30 to 40 years," he said.

The UNEP chief added that "also let us be very realistic that environmental challenge for China is significant, and therefore effective action is necessary and urgent."

He lauded China for including the notion of ecological civilization and the transition to a green economy into part of the country's mainstream development planning and the next Five- Year Development Program.

"To me it provides some very encouraging signs that we will see a very different economic development philosophy emerging in China. And this is also UNEP's mission to work with China in bringing the latest science and knowledge that have been developed across the world on green economy opportunities into the debate and discussions in China," he said.

Referring to the upcoming Shanghai EXPO, Steiner said such big events can be not only a showcase for the country, but can also act as an experiment with policies, with new technologies and with new ways of management.

"The Shanghai EXPO, with the theme of 'Better City, Better Life, ' has put the quality of life, which is so closely related with environment management, at the heart of this international event," he said.

Steiner compared the EXPO to the Beijing Olympics, saying that the 2008 Olympic Games in Beijing provided many examples of innovation technology as well as environmental management initiatives. It is in his belief that the Shanghai EXPO will just stand in the same tradition.

## **Regional report**

### **North**

#### **Politics**

- Senior Chinese leader urges firm efforts to maintain capital's stability (8<sup>th</sup> February)

Senior Chinese leader Zhou Yongkang Monday urged law enforcement personnel to make firm efforts to safeguard stability in the national capital this year.

Zhou, a Standing Committee member of the Political Bureau of the Communist Party of China (CPC) Central Committee, made the remarks after he heard a report from the municipal government on maintaining the capital's stability.

He commended work of Beijing's political and law enforcement workers in maintaining social stability in the past year, especially during celebrations marking the 60th anniversary of the founding of the New China.



However, Zhou warned of the "arduous" task of maintaining social stability this year as "there are still many predictable and unpredictable factors that may affect social harmony and stability."

"Our country is still in a stage when many conflicts are likely to arise," said Zhou, who is also the secretary of the Political and Legislative Affairs Committee of the CPC Central Committee.

"Only when the national capital is stable, can the country be stable," he said.

Zhou hoped the municipal government would enhance efforts to solve social conflicts and disputes, promote innovative social management, and improve law enforcement in a just way.

Breakthroughs should be made in solving the root problems that have negative impacts on the capital's harmony and social stability so as to set an example to other provincial-level areas, he said.

Zhou visited law enforcement police, armed police and law service agencies Monday and extended festival greetings to them for the upcoming Chinese New Year.

- Former commerce ministry official faces prosecution for bribery in Beijing (9<sup>th</sup> February)

Guo Jingyi, a former official with the Ministry of Commerce (MOC), is facing prosecution for taking bribes, according to a court here Tuesday.

The Beijing No. 2 Intermediate People's Court confirmed Tuesday that it had accepted Guo's case.

Guo, 44, was promoted to deputy director-general of the Treaty and Law Department of the former Ministry of Foreign Trade and Economic Cooperation in 2002. He was detained by police in October 2008, when he was acting as MOC's inspector.

Prosecutors allege Guo took bribes of more than 6 million yuan (878,600 U.S. dollars) and in return helped a Beijing company get approval for setting up a foreign-funded firm. It is also alleged that Guo gained properties worth 1.65 million yuan from the same people who bribed him.

No specific date is given for the court trial.

## **Social front**

- 71 held responsible for 2009 CCTV building fire (10<sup>th</sup> February)

Seventy one people have been held responsible for the 2009 CCTV building fire that left one fireman dead and brought direct economic losses of 163.83 million yuan (23.99 million U.S. dollars), a statement from the State Council said Wednesday.

Zhao Huayong, who stepped down as head of the state broadcaster in May 2009 after reaching the official retirement age of 60, will receive a administrative demotion along with a severe warning from the Communist Party of China, the statement said.

Of the 71 held responsible, 44 will be referred to the courts for prosecution while 27 others will suffer party and administrative disciplinary measures.

Illegal fireworks caused the blaze in the 30-story building in Beijing's central business district on the night of Feb. 9, 2009. The building housed the nearly-completed Mandarin Oriental Hotel and part of CCTV's new headquarters.

A fireman died and eight, including six firemen and two construction workers, were injured in the blaze.

## **Economic front**

- Beijing aims at 6 bln USD materialized foreign investment in 2010 (9<sup>th</sup> February)

Beijing would strive to secure 6 billion U.S. dollars of actually utilized foreign investment this year, an official said Monday.

Lu Yan, head of the Beijing Municipal Commission of Commerce, said foreign investment actually utilized by the capital city rose 0.6 percent in 2009 to 6.12 billion U.S. dollars despite the global financial crisis.

He also set 5 billion U.S. dollars as the minimum target for the city's actually utilized foreign investment in 2010.

China attracted 90.03 billion U.S. dollars in FDI in 2009 amid the global downturn, down 2.6 percent from that in 2008, according to the Ministry of Commerce in January.

- Well-known Beijing market's manager arrested in selling fake LV bags (13<sup>th</sup> February)

The general manager of Silk Street Market, one of Beijing's most popular clothing markets, has been arrested for allegedly selling counterfeit goods with registered trademarks including Louis Vuitton bags, local authorities said Friday.

The Chaoyang District Procuratorate confirmed the arrest of Wang Zili, the formerly general manager of Silk Street Market, and said Wang would also face another charge of taking bribes.

Wang, together with a security official and a businessmen, invested 400,000 yuan (58,000 U.S. dollars) aiming to sell fake brand-name bags bearing the Louis Vuitton trademark from the end of 2007, the prosecutors said.

Wang also allegedly received 70,000 yuan in bribes from a businessman, Yang Changjun, who allegedly bribed Wang in getting to use underground storehouses for counterfeit goods, according to the prosecutors.

Wang, who began to serve as the general manager of the Silk Street Market in early 2006, left his job in July 2009. He was captured in December in Hohhot, capital of Inner Mongolia Autonomous Region, north China.

Zu Shaozhong, the security department head of the market, was also arrested for allegedly participating in the illegal trade.

No specific date is given for court trial of the two.

The fate of the briber, Yang Changjun, remains unknown.

The Silk Street Market is famous for knock-off designer gear and is a magnet for both local expatriates and foreign tourists.

In 2008, the market unveiled its own brand, SILKSTREET, and warned that anyone who tries to counterfeit it will be held liable. The market moved into an adjacent five-floor mall, as administrators wanted to root out fake goods. They also aimed to reform the market, to make a place to buy Chinese specialties, including silk, pearls, tea, china and handicrafts.

## **Northwest**

### **Politics**

#### **Social front**

- Hefty investment plan to restore ancient city sparks controversy in China (10<sup>th</sup> February)

A local Chinese government's plan to restore a 2,000-year-old city on the Silk Road with 10 times its annual fiscal revenue has sparked controversy in the underdeveloped northwestern province.

Dunhuang, a wealthy oasis town situated along the ancient Silk Road in today's Gansu Province, is planning to spend about 3 billion yuan (439 million U.S. dollars) on a project to restore some of its glorious past, according a statement by the city's local government. It said the project was designed to restore the 1 square km city center which is surrounded by the ruins of the ancient city wall.

The restored ancient city would feature the old culture of the Silk Road and showcase ancient architecture, religion, trade and arts of at least 2,000 years ago.

The document said the project was aimed at "highlighting the city's culture and history as well as boosting tourism."

A city government spokesman said the plan was still being drafted and would be submitted for deliberation in April. However, an investment company had already been set up in January to implement the project.

It was not immediately known how the 3 billion yuan would be raised, but the ambitious plan had sparked controversy shortly after it was revealed on Tuesday.

Many have questioned whether the extravagance was worthwhile for Gansu Province, one of the poorest in China, while others shrugged the project off as commercial exploitation under the veil of heritage preservation.

"Just calculate the cost, it's like building a city out of gold," said a commentary published in a newspaper based in Xi'an. "Why don't they spend the money to improve the livelihood of the locals?"

The budget for the development project is 10 times the city's fiscal revenue and about one twentieth of the province's revenue.

The newspaper commentary said Dunhuang city government should reconsider the risk of draining taxpayers money for nothing.

"Instead of developing new attractions, the city should better preserve its existing treasures -- including the priceless frescoes -- and fend off the sprawling desert."

Dunhuang was a wealthy oasis town, and the frescoes and carvings in its Mogao grottoes are some of the best preserved examples of Buddhist art in China.

## **Economic front**

## **Northeast**

### **Politics**

#### **Social front**

- China, Russia to open new transport service line (13<sup>th</sup> February)

Northeast China's Heilongjiang Province has planned to open a new transport line linking the province with Birobidzhan, capital of Russia's Jewish Autonomous Oblast.

Li Xiaohao, road transport official with the provincial communications and transport bureau, said earlier this week that both passenger and cargo services will be opened on the 410 km route linking Yichun City, Heilongjiang with Birobidzhan.

He said Heilongjiang has 48 road transport routes with Russia, covering Russia cities of Vladivostok, Khabarovsk, Chita and Ulan-Ude.

"It is the first transport service line linking Russia's Jewish Autonomous Oblast, which is having an increasing personnel exchanges with Heilongjiang," Li said.

He said that the provincial government has opened cargo transport business to foreign companies on the international routes, and required them to take shares less than 49 percent in operating passenger transport service.

## **Economic front**

### **Southwest**

#### **Politics**

#### **Social front**

- China sentences 34 in Chongqing mob trial; two get death (10<sup>th</sup> February)

A Chinese court Wednesday sentenced 34 gang members for violent crime, including murder, amid a large-scale crackdown on organized crime in the southwestern mega-city of Chongqing.

The Chongqing Municipal No. 1 Intermediate People's Court sentenced two to death. Six others received death with a two-year reprieve. Some 26 others received jail terms ranging from 10 months to life imprisonment.

Gang leader Gong Gangmo was given life imprisonment after being convicted on nine counts, including running a gang, murder, illegal dealing in and transportation of guns and ammunition, drug trafficking, operation of illegal businesses, bribery, illegal possession of guns and ammunition, operation of a casino, and tolerating others' drug taking, the court ruled.

Another gang leader, Fan Qihang, and its principal member, Wu Chuanjiang, were sentenced to death for similar convictions.

Prosecutors said the defendants were involved in underworld gang activities, like violence and usurious lending, in Chongqing from 2006.

The gang members were arrested for allegedly killing a man on June 3, 2009, in Chongqing.

"They exerted a very negative impact on society and severely undermined economic and social order," the court heard.

Gang leader Gong was the focus of the mob trial, as he was also involved in another trial involving his former lawyer. In that trial, he told prosecutors his former lawyer, Li Zhuang, had encouraged him to give false evidence. Li was sentenced to a year-and-half imprisonment on Tuesday.

After Gong's ruling was announced Wednesday, the public wondered why Gong, also a gang leader, was not sentenced to death, as the other gang leader, Fan, had been.

Chen Yuanping, presiding judge of the trial, told reporters Wednesday that Gong was shown leniency for his evidence against Li, but that alone would not have been enough to prevent a death sentence.

He said Gong had neither masterminded nor personally committed the June 3 murder. Nor he had not given specific instructions to his gang to engage in gun trading, drug trafficking and casino operation.

"Even if he had not given evidence against Li, he should not have been sentenced to death," he said.

During the massive organized crime crackdown beginning in June last year, local authorities arrested 1,176 people and prosecuted 782 involved with 78 criminal gangs.

A total of 87 officials were prosecuted after the crackdown, including 12 high-ranking officials.

## **Economic front**

### **South central**

#### **Politics**

#### **Social front**

- Philippines releases Chinese fishermen after more than 3 years (13<sup>th</sup> February)

Three Chinese fishermen returned to China Friday after being detained in the Philippines for more than three years on charges including alleged illegal entry.

Wang Yaliu, Yang Xi and Xie Guiyu, all natives of Taishan City, Guangdong Province, left Manila, capital of the Philippines, at 2:50 pm Friday on a flight and arrived at Guangzhou, capital of Guangdong, at 5:30 pm, said Luo Jun, an officer with the foreign affairs office of the provincial government.

The three were detained by the Philippines in December 2006 along with 27 others aboard a Chinese fishing boat.

The Philippine side prosecuted the 30 Chinese on charges including alleged illegal entry. Before Friday's release of the three fishermen, 27 others had already been set free, thanks to negotiation by Chinese authorities at different levels.

"I'm so happy! Finally I have come home!" Wang, captain of the fishing vessel, Haiyun, said upon his arrival in Guangzhou Friday, two days before the Lunar Chinese New Year, China's most important festival.

## **Economic front**

- Hotel rates reach new highs in China's tourist island (9<sup>TH</sup> February)

With the Chinese New Year holidays just a few days away, hotel prices in the country's only tropical island province have touched a record high.

The average price for a single night at five-star hotels in south China's Hainan province has reached a whopping 10,000 yuan (1,400 U.S. dollars) during the seven-day Spring Festival break, which kicks off Saturday.

The cheapest room at the Mandarin Oriental Hotel in Sanya is going for 18,400 yuan, while the most expensive is 34,500 yuan per night. Prices for a room at the Hilton Sanya Resort range from 11,138 yuan to 16,048 yuan, according to ctrip.com, a leading travel website, as saying.

The prices almost equal the average annual income for Chinese city dwellers in 2009, which stood at 18,858 yuan per person, figures from the National Bureau of Statistics show.

"Sanya has been a hot destination for travelers for long. With the Spring Festival approaching and the recent influx of real estate speculators, hotel prices are soaring," Zhang Baoquan, chairman of Antaeus Group, the developer of Yalong Bay Mangrove Tree Resort, a high-end hotel in Sanya, was quoted by Tuesday's China Daily as saying.

"But I never expected hotel prices to go so high," he added.

Zhang said the average price of a room during the slow season was around 1,200 yuan per night, which had "recently gone up sevenfold".

It is "normal for hotels to raise room prices by three or four times during the peak seasons", he said.

"But the increase in Hainan is far from normal. I have never seen so many hotels raising their prices by such a huge margin at the same time," he said, adding that even the island's mid-level and low-level hotels were now charging 3,000 yuan to 5,000 yuan for a night.

The skyrocketing room rents have even scared away a few travel agencies.

"We are not paying too much attention to the Hainan market this year since most ordinary people cannot afford a room there," said Wen Qian, deputy general manager of GZL International Travel Service.

"Living in a high-end hotel in Sanya for one night is now the same as spending four to five days in some overseas destinations," he said.

"The few who are willing to take a trip to Hainan are wealthy businessmen, who can take their families for a relaxing vacation and at the same time check out the island's real-estate market," Wen said.

Hotel prices have not seen such a massive jump during the Spring Festival holiday since 2002, when the average price for a room in the island reached about 8,000 yuan per night.

"This is a special year for Hainan, as the country recently unveiled plans to turn the place into a top international tourist destination by 2020," Zhang said.

- China's GF Securities achieves back-door listing, shares soar (12<sup>th</sup> February)  
Guangfa Securities Co, Ltd (GF Securities), a large stock brokerage firm headquartered in south China's Guangdong province, achieved back-door listing in Shenzhen Stock Exchange on Friday.

GF Securities announced via its website that the listing was realized by taking over Yan Bian Road Construction Co., Ltd.

Shares of GF Securities, which are free from daily pricing limits on Friday, opened at 54 yuan (7.92 U.S. dollars) per share, soaring 412 percent than the previous close.

Current market value of GF Securities reaches 130.2 billion yuan.

## **East**

### **Politics**

- Official sentenced to suspended death for bribery, framing up informant (8<sup>th</sup> February)

WUHU, Anhui Province, Feb. 8 (Xinhua) -- A former local official in east China's Anhui Province was sentenced to death with a two-year reprieve Monday for taking bribes and framing up an informant who reported against him.

Zhang Zhi'an, the former Party chief of the Yingquan District of Fuyang City, was given the sentence by the intermediate people's court of Wuhu City, Anhui Province.

Zhang was also deprived of political rights for life, and all his personal property was confiscated.

It was unknown whether Zhang would appeal or not.

- Former Chinese political advisor sentenced to death with reprieve for graft (10<sup>th</sup> February)

Sun Shanwu, former vice chairman of the Chinese People's Political Consultative Conference (CPPCC) Henan Provincial Committee, was sentenced to death with a two-year reprieve for graft in eastern China's Shandong Province Tuesday.

According to the Weifang Intermediate People Court, Sun, 63, was found to have taken bribes worth of more than 9.1 million yuan (about 1.33 million U.S. dollars) from 2002 to 2006, when he served as the member of the Standing Committee of the Communist Party of China (CPC) Henan Provincial Committee, and secretary of the CPC Luoyang municipal committee.

Sun also abused his power to enable profits for nine people, including Li Yichao, former boss of Luoyang Zhongtai Group of Henan Province.

Li was detained in 2007 for suspected tax evasion. In 2006, he was ranked No. 342 on the Forbes list of richest Chinese mainlanders with an estimated 880 million yuan.

The Weifang Intermediate People Court said Sun's sentence was based on the "huge amount of bribes he took and the grave crime he committed as government officials."

## **Social front**

### **Economic front**

- Chinese vice premier urges efforts to ensure work safety (9<sup>th</sup> February)

Chinese Vice Premier Zhang Dejiang on Tuesday stressed the importance of ensuring work safety while transforming the economic development mode.

He urged earnest efforts in ensuring work safety during a tour of China's eastern Shandong Province, where he inspected state-owned enterprises.

In the drive of transforming China's economic development mode, an arduous and significant mission, we must stick to the concept of safe development and step up efforts to ensure work safety, Zhang said.

He urged all regions, departments and units to keep cool-headed about the task.

Zhang underscored the importance of fulfilling work safety responsibilities, strengthening safety inspection, severely punishing acts detrimental to work safety, advancing work safety-related science and technology, and providing relevant training to employees.

- UNEP chief hails Shanghai EXPO's theme of "Better City, Better Life" (12<sup>th</sup> February)

Executive Director of the United Nations Environmental Programme (UNEP) Achim Steiner said Friday the theme of "Better City, Better Life" for the 2010 Shanghai EXPO has shown the organizer's keen sense on environmental protection.

He said that the theme of "Better City, Better Life" has put the quality of life, which is so closely related with environment management, at the heart of this grand international event.

"Having been a very close partner and looking how the Olympic Games in Beijing not only provided many examples of innovation technology but also environmental management initiatives. I think the Shanghai EXPO will stand in the same tradition," the UNEP chief said.

He noted that these big events allow countries to showcase themselves but also experiment with policies, technologies and new ways of management.

"Quality of life in many of the world's cities has not improved in the last 50 years. In fact we spend a lot of time sitting in traffic jams. We have many problems related to water resources management and waste management," he said.

He mentioned the sophisticated underground railway system Shanghai is building, saying that would shift transport onto public transport systems, thus reducing the impact of individual traffic pollution.

"We are going to be presented in Shanghai later this year in the UN Pavilion. I think this will be a wonderful moment for Shanghai, and it may also demonstrate that as one of the biggest cities in the world, it is also among the most dynamic ones in terms of environmental protection," he said



A total of 200 participating countries and international organizations, as well as 70 million visitors will join the upcoming EXPO from May 1 to Oct. 31 this year.

- President Hu visits Taiwan businesses on mainland ahead of Spring Festival (13<sup>th</sup> February)

President Hu Jintao on Friday visited some Taiwan businesses in Zhangzhou of southeastern Fujian Province ahead of the Spring Festival to extend New Year greetings. Hu, also general secretary of the Communist Party of China (CPC) Central Committee, visited a business park for Taiwan farmers in Zhangpu county of Zhangzhou City. The park, set up in 2006, houses more than 70 Taiwan-funded agricultural firms.

"We will try our best in everything that will benefit the Taiwan compatriots, and we will honor our words," Hu told the Taiwan business people.

He said the mainland and Taiwan were negotiating on the cross-Strait Economic Cooperation Framework Agreement. "It's something that will help promote cross-Strait economic cooperation and bring win-win results. During the negotiation process, we will put into full consideration the interests of Taiwan compatriots, especially those of farmers."

Fujian, which faces Taiwan across the sea, has won the central government support in accelerating the construction of an economic zone on the western side of the Taiwan Strait, Hu said, adding the economic zone would provide a new platform and opportunities for cross-Strait exchanges and cooperation.

Hu expressed hope that more Taiwan compatriots would be dedicated to promoting the peaceful development of cross-Strait relations and work with the mainland people for an even brighter future of the ties.

Huang Ruei-bao, chairman of the Zhangzhou Jiu-Bao Biotechnology Inc., an orchid grower, said investment environment in Zhangzhou was quite favorable and he planned to further expand his flower cultivating base here.

The Spring Festival, or the Chinese lunar new year, is the most important holiday for the Chinese, which falls on Feb. 14 this year.

## **HONGKONG AND MACAU**

### **Politics**

- Macao to start "spokesperson system" this month (11<sup>th</sup> February)

A new spokesperson system proposed by Chief Executive (CE) of Macao Special Administrative Region (SAR) was expected to be implemented within this month, the local Macao Post Daily reported on Thursday.

The newspaper quoted the CE's chief-of-cabinet Alexis Tam Chon Weng as saying the Executive Council, which advises and assists CE, has completed discussing the regulatory framework for the spokesperson system, and the details would be officially announced "in two days time".

Making remarks on the margins of a Chinese New Year reception hosted by the Central Government Liaison Office on Wednesday, Tam gave his assurance that the spokesperson would not act as a "shield" to protect the government against media.

"The spokesperson will speak on behalf of CE at appropriate times. It'll definitely not be a shield," Tam stressed, adding, " The system will help media acquire information at an appropriate time, as quickly as possible."

Informed sources have told Macao Post Daily that Tam will be the chief spokesman and that each of the government's five policy secretaries will have his or her own spokesperson.

However, Tam declined to confirm who would be the chief spokesman or how many there would be.

## **Social front**

- University of Macao receives donation of nearly \$20 mln (9<sup>th</sup> February)

The Wu Yee Sun Charitable Foundation Ltd. Tuesday made a donation of 150 million HK dollars (19.3 million U.S. dollars) to the University of Macao Development Foundation (UMDF), which was the largest single benefaction since UMDF's inception in December last year.

The cheque presentation ceremony was held at the Government Headquarters of Macao Special Administrative Region (SAR), during which the SAR's Chief Executive and UM Chancellor Chui Sai On received the donation from the charitable foundation.

As the biggest local public higher education institution, UM has an important role to play in Macao and it has embarked on a new era of development with the dedicated effort of both the central government of China and local community, said Chui at the ceremony.

In recognition of this magnificent contribution, the central library on the UM's new campus will be named after Wu Yee Sun, a Hong Kong merchant and philanthropist.

With a total area of around 1.09 square kilometer, the new campus of University of Macao (UM) is located on the Hengqin island, a part of China's southern coastal city Zhuhai. On Dec. 20, 2009, China's President Hu Jintao officiated at the groundbreaking ceremony of UM's new campus, and the new campus was expected to be completed within three years.

- China mulls permanent card number for Hong Kong, Macao residents' mainland entry (13<sup>th</sup> February)

China's Ministry of Public Security is considering a permanent number for Hong Kong and Macao residents' mainland entry cards for convenience.

Currently, the last two of the 11 digits indicate the frequency for card renewals, meaning the number changes when Hong Kong and Macao residents get their cards renewed. That has been an inconvenience for those investing, buying housing, and doing banking business on the mainland.

According to a statement released Friday by the ministry, Hong Kong and Macao residents entered a peak period for mainland card renewals last year.

Cards for those aged 18 and above are valid for ten years. Cards for those under 18 years last three years.

The mainland entry cards began to be used on Jan. 15, 1999.

## **Economic front**

- Macao SAR signs air services agreement with Japan (10<sup>th</sup> February)

The governments of Macao Special Administrative Region (SAR) and Japan Wednesday signed here the Air Services Agreement, which was aimed at strengthening the air link between the two sides.

The signing ceremony was held at the SAR's Government Headquarters, and it was the first air pact officially signed after the formation of the new SAR government in December 2009.

With the conclusion of the bilateral Air Services Agreement between the two sides, "I am confident that the tourism market as well as the development of trade and commerce between Macao and Japan can further be enhanced", said Lau Si Io, the SAR's secretary for transport and public works, at the signing ceremony.

Under the new air pact, the restriction on airline designation and flight capacity will be lifted, and the Air Macao, the SAR's flagship airline, will operate three weekly scheduled flights between Macao and Tokyo starting from March 28 this year.

Japan possesses rich tourism resources and has always been a popular destination among the Macao residents, while Macao, being listed as the 31st designated World Heritage site in China, is also an attractive tourist destination with mixed cultures of East and West, said Lau.

The number of Japanese tourists visiting Macao has risen by an average of 30 percent year-on-year for the past five years, and they ranked No. 4 in the SAR's inbound tourist market, according to the figures from the SAR government.

Currently, Air Macao operates a daily flight between Macao and Osaka, and Viva Macao flies to Tokyo with four weekly frequencies.

- Hong Kong stocks end 0.63% higher, lifted by regional gains (10<sup>th</sup> February)

Hong Kong stocks closed higher Wednesday as external markets gained ground, with the benchmark Hang Seng Index adding 131.94 points, or 0.67 percent, to close at 19,922.22.

The Hang Seng Index opened 0.63 percent higher, after the Wall Street ended higher overnight and the mainland market opened higher in the morning. Investors took their cues from a weaker U.S. dollar amid hopes that Germany will lead a bailout for Greece.

The Hang Seng Index trimmed gains after the market open and once dipped into negative ground. It moved between 19,976.66 and 19,681.54 during the session on a total turnover of 59.62 billion HK dollars (7.64 billion U.S. dollars), which was slightly less than Tuesday's 61.65 billion HK dollars (7.90 billion U.S. dollars).

The China Enterprises gained 1.30 percent at 11,345.64.

Banking giant HSBC closed up 0.95 percent at 80.05 HK dollars while China Mobile, the leading carrier on the mainland, closed down 1.38 percent at 74.95 HK dollars.

The finance sub-index was up 0.84 percent, the properties up 0.8 percent and the commerce and industry category up 0.52 percent. The utilities sub-index was down 0.24 percent.

The mainland-based banking giants were higher, with Bank of China up 1.36 percent at 3.74 HK dollars, China Construction Bank up 0.68 percent and ICBC 0.18 percent. Shipping stock COSCO Pacific surged 0.62 HK dollars, or 5.86 percent, to close at 11.2 HK dollars, lifted by strong export data on the mainland. China COSCO, however, shed 0.21 percent at 9.38 HK dollars as analysts said the dry bulk shipping sector would remain under pressure.

The energy shares were also higher, with PetroChina up 0.71 percent, CNOOC up 2.88 percent, Sinopec up 0.34 percent, and coal producer Shenhua up 2.22 percent.

Cheung Kong, the business conglomerate headed by Li Ka-shing, the richest man in Hong Kong, ended down 0.27 percent. Sun Hung Kai Properties, the leading residential housing developer, gained 1.3 percent to close at 101.3 HK dollars. (7.8 HK dollars = 1 U.S. dollar)

- Hong Kong stocks close 1.85% higher (11<sup>th</sup> February)

Hong Kong stocks rose 368.47 points, or 1.85 percent, to close at 20,290.69 on Thursday. Turnover further shrank to 52.94 billion HK dollars (6.79 billion U.S. dollars) from Wednesday's 59.62 billion HK dollars.

- Hong Kong stocks close 0.11% lower (12<sup>th</sup> February)

Hong Kong stocks went down 22 points, or 0.11 percent, to close at 20,268.69 on Friday, the last trading day before the Chinese New Year holiday.

Turnover shrank further to 45.67 billion HK dollars (5.86 billion U.S. dollars) from Thursday's 52.94 billion HK dollars.