

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

### **China**

**Fareeha Sarwar**

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## National report

### **Political front**

- China parliament examines growth, living standards (3<sup>rd</sup> March)

BEIJING (Reuters) - The Chinese leadership's efforts to engineer a trouble-free succession and push both economic growth and improved living standards in coming years move to the national parliament from Friday.

The annual full session of the National People's Congress (NPC) will open with a report by Premier Wen Jiabao, who with President Hu Jintao is entering the last stretch of a second five-year term steering the world's third-biggest economy. They are due to make way to a new generation of leaders from 2012.

Wen's speech in the Great Hall of the People will be as cautious as the Communist Party-controlled parliament, whose 3,000-odd delegates - officials, executives and workers and farmers -- are chosen and trained to keep their criticisms muted.

Yet Wen's report and the 10 or so days of discussions will also address strains worrying China, including fast-rising property prices, income inequality and a skewing of loans and investment to projects favored by local governments.

The attention and the backstage lobbying will give Hu and Wen, and a younger generation of aspiring leaders, chances to put their stamp on policy and consolidate influence, said Zheng Yongnian, director of the East Asian Institute in Singapore.

"This year and next year are going to be very important for succession politics and the two meetings are part of that," Zheng said, referring to the NPC and the Chinese People's Political Consultative Conference, an advisory body meeting alongside the parliament.

"The NPC is not that powerful, but it allows people to see what the agenda is and who is setting that agenda," Zheng said. "Who controls the policy agenda will enjoy a political advantage when it comes to succession issues."

"YOU CAN'T GET AWAY FROM GROWTH"

Attention will fall on Vice President Xi Jinping and Vice Premier Li Keqiang, the favored successors to Hu and Wen respectively.

Li is leading efforts to improve health care and food safety and his influence could be boosted by extra attention to - and possible spending on - those issues.

Provincial leaders hoping for a spot in the next central leadership could also court attention.

They include Bo Xilai, Party chief of Chongqing, who has orchestrated publicity by cracking down on mafia-like gangs in the southwest city, and Wang Yang, Party chief of the booming southern province of Guangdong. Both have cast themselves as forward-looking leaders with a popular touch.

Hu and Wen will also be looking to secure their influence by pushing improvements to welfare, health care and schooling, especially for China's 700 million-strong farming population.

"The key is that to fund these plans to improve public welfare you need to keep increasing government revenues, and that requires continued fast economic growth," said Mao Shoulong of the Renmin University in Beijing.

"You can't get away from the need for growth."

The parliament may discuss proposals for spending and policy goals in the next government five-year development plan from 2011.

Since 2003, Hu and Wen have vowed to transform China's economic model, easing dependence on heavy industry and exports to focus on grassroots growth and welfare.

"By ensuring those policy priorities are in the five-year plan, they can consolidate their influence beyond retirement," said Zheng, the Singapore-based researcher.

Their results have fallen short of ambitions. Many sectors and officials are committed to a recipe of industrial expansion they believe has worked and helped China escape a serious slowdown in the global economic downturn.

"It is very difficult to get change out of a political system that seems to be succeeding so brilliantly on its own terms," Barry Naughton of the University of California, San Diego, wrote recently for the China Leadership Monitor website.

Wen made a plea for his more populist plans last weekend, sympathizing with complaints about income disparities, rising housing prices, graduate unemployment, poor health care and registration rules hindering movement to and between cities.

"I'll spare nothing in exerting myself on my duties until I die," he told an online question-and-answer session. "When a society's wealth is concentrated in the hands of a few, then it is certainly unjust, and that society will be unstable."

State media reports have indicated that all those issues will receive attention at the session.

But the parliament affirms rather than makes policy, which is left to elite Party circles. Delegates suggest tweaks to settled decisions and China watchers expect few big changes to broad economic policy, currency management or spending priorities.

"We expect no change in the official macro policy stance, but expect some expenditure shift in the next budget", Tao Wang, an economist with UBS in Beijing, wrote in a report.

"We expect an increase in budgetary spending on 'livelihood' items, including cheap rentals, subsidies to the lower-income population, and social safety net."

<http://www.reuters.com/article/idUSTRE62219L20100303>

- China's top political advisory body begins annual session (3<sup>rd</sup> March)

The Third Session of the 11th National Committee of the Chinese People's Political Consultative Conference (CPPCC), the country's top political advisory body, opened in the Great Hall of the People in Beijing Wednesday.

More than 2,000 CPPCC National Committee members, from across the country, will discuss major issues concerning the nation's development during the annual meeting scheduled to conclude on March 13.

After the session started at 3 p.m., CPPCC National Committee Chairman Jia Qinglin delivered a report on the work of the CPPCC National Committee's Standing Committee over the past year.

"The CPPCC (last year)...made important contributions to effectively responding to the impact of the global financial crisis, pushing forward the process of building a moderately prosperous society in all respects, and promoting the great cause of peaceful reunification of the motherland," Jia said.

"The CPPCC's cause entered a period of unity, harmony, pragmatic progress and vigorous development," he said.

Top Communist Party of China (CPC) and state leaders Hu Jintao, Wu Bangguo, Wen Jiabao, Li Changchun, Xi Jinping, Li Keqiang, He Guoqiang and Zhou Yongkang were present at the opening meeting.

Founded in 1949, the CPPCC consists of elite members of the Chinese society who are willing to serve the think tank for the government and for the country's legislative and judicial organs.

- Highlights of Jia Qinglin's work report of China's top political advisory body (3<sup>rd</sup> March)

Top Chinese political advisor Jia Qinglin delivered a report on the work of the country's top political advisory body at the opening meeting of its annual full session which started here in the Great Hall of the People Wednesday afternoon.

Following are the highlights of the Work Report of the Standing Committee of the Chinese People's Political Consultative Conference (CPPCC) National Committee, which was distributed to journalists upon the opening of the session:

#### PROMOTING ECONOMIC DEVELOPMENT AGAINST GLOBAL FINANCIAL CRISIS

-- Over the past year, the CPPCC closely followed developments in the global financial crisis and the domestic economic situation; intensified its research on the changing situation; and worked hard to increase the initiative, foresight, and pertinence of its comments and suggestions.

-- The CPPCC convened special sessions in which the Standing Committee deliberated government affairs as well as consultation sessions, all centered on the themes of "striving to boost domestic demand and maintaining steady and rapid economic development" and "accelerating economic restructuring and the transformation of the pattern of economic development, and becoming better able to achieve sustainable development." The CPPCC also held a number of meetings to analyze the economic situation.

-- Over the past year, the CPPCC conducted investigations and studies on 53 special topics, organized 13 inspection and investigative teams for members of the Standing Committee and National Committee, and filed more than 1,800 proposals for investigation and referred them to the relevant authorities.

-- The CPPCC continued to make suggestions for developing a green economy, a circular economy, a low-carbon economy, and clean energy; held a meeting to analyze the development situation as it relates to the population, resources, and the environment; intensely carried out activities concerning caring for the country's forests; supported the reform of collective forest rights; deliberated the issues of fighting climate change and developing nuclear and hydroelectric power; and carried out investigations and studies on the ecological protection and development of the sources of the Yangtze, Yellow, and Lancang rivers, the Three Gorges on the Yangtze, and the Hengshui Lake and Ulansuhai Nur wetlands.

-- In 2010, the CPPCC will carry out thorough investigations and studies on improving the institutions, mechanisms and policy orientation for accelerating the transformation of the pattern of economic development,

#### PROMOTING SOCIAL HARMONY, IMPROVEMENTS IN PEOPLE'S WELLBEING



-- Focusing on issues such as employment for college graduates and rural migrant workers and the effect of the global financial crisis on workers' rights and interests, the CPPCC carried out thorough investigations and studies, and made proposals for extending the active employment policy to townships, towns, and rural areas; establishing a social security system that covers rural migrant workers; and developing labor-intensive industrial zones to create large numbers of jobs.

-- The CPPCC made numerous insightful and significant suggestions and recommendations on important issues such as formulating policies and measures for the coordinated development of social programs, deepening reform of the income distribution system, accelerating the construction of low-income housing, developing the cultural industry and vocational education, improving the basic medical and health care system, safeguarding the rights and interests of disabled people, and carrying out post-Wenchuan earthquake recovery and reconstruction.

-- Over the past year, the CPPCC edited and reported to the central leadership 267 reports on social conditions and popular sentiment, reported 1,435 comments and suggestions, and made more than 1,900 proposals, all of which contributed greatly to promoting social stability.

-- In 2010, the CPPCC will carry out investigations and studies on making innovations in public administration; protecting the rights and interests of employees of stated-owned enterprises converting to a stockholding system; balancing the development of the medical insurance system between urban and rural areas and improving pertinent regulations; training rural health workers and providing supporting policies; developing vocational education, culture and sports; and making the Shanghai World Expo a success, as well as on education, employment, housing, environmental protection and other issues of concern to the people.

-- The CPPCC will give full attention to factors affecting social stability that have their source in the excessive income gap; offer solutions and suggestions on adjusting the pattern of national income distribution, promoting more equitable access to basic public services, and providing social security and assistance to destitute people; and work hard to promote social fairness and justice.

#### ETHNIC UNITY, RELIGIOUS HARMONY

-- The CPPCC earnestly implemented the Party's ethnic and religious policies, and energetically promoted ethnic unity and religious harmony.

-- The CPPCC conducted thorough investigations and studies on accelerating the economic and social development of autonomous ethnic minority prefectures, resolving problems related to income and social security concerning members of religious orders and employees of religious organizations, improving work concerning mixed ethnic group communities and ethnic minorities in urban areas, developing Tibetan medicine and pharmacology, and developing water conservancy and hydroelectricity in Tibet, with the goal of doing something substantive to improve the working and living conditions of ethnic minorities. The CPPCC actively participated in building solidarity and progress among ethnic groups and in publicity and educational activities on ethnic solidarity.

In 2010, the CPPCC will thoroughly carry out the ethnic and religious policies of the Party, and be concerned about and support economic and social development of ethnic minorities and ethnic minority areas.

-- The CPPCC will conscientiously implement the guiding principles of the central leadership's Fifth Forum on Tibet Work, and strive to achieve leapfrog development and lasting stability in Tibet and Tibetan ethnic areas in Sichuan, Yunnan, Gansu and Qinghai provinces.

#### TAIWAN, HONG KONG, MACAO, OVERSEAS CHINESE

-- Cleaving to the theme of peaceful development of the relations between the two sides of the Taiwan Straits, the CPPCC made full use of its unique strengths to promote exchanges between the compatriots and cooperation between all sectors of society on both sides of the Straits.

-- The CPPCC carried out investigations and studies on promoting cooperation between Guangdong and Hong Kong, which resulted in suggestions that were greatly valued by the relevant authorities.

-- The CPPCC supported National Committee members from Hong Kong and Macao in carrying out investigations and studies with local social groups on special topics in their respective regions so that they would contribute to better implementing the principle of "one country, two systems" and to maintaining financial stability, promoting economic development and improving people's wellbeing in the two regions.

-- The CPPCC invited overseas Chinese to attend the Second Plenary Session of the Eleventh National Committee as observers, and solicited comments and suggestions from overseas Chinese and people of Chinese origin on how to fight the global financial crisis, promote education in the Chinese language overseas, and help Chinese students returning from overseas undertake scientific research, make innovations and start businesses.

-- In 2010, the CPPCC will carry out investigations and studies on cross-Straits economic, trade and cultural cooperation; deepen cross-Straits exchanges and cooperation; and strengthen emotional ties between people across the Straits.

-- The CPPCC will solicit the views of overseas Chinese experts on the formulation of the Twelfth Five-Year Plan, and conduct investigations and studies on safeguarding the rights and interests of overseas Chinese businesspeople and create conditions for overseas Chinese and Chinese students studying abroad to serve their country.

#### FOREIGN CONTACTS

-- The CPPCC actively developed high-level visits to other countries, increased mutual political trust with them, and consolidated traditional friendship with them.

-- The CPPCC explained to other countries China's standpoint, measures and efforts in addressing climate change and the impact of the global financial crisis, and promoted bilateral economic and trade cooperation and cultural exchanges with other countries.

-- By the end of 2009, the CPPCC National Committee had established friendly relations with 236 institutions in 128 foreign countries and 13 international or regional organizations.

-- In 2010, the CPPCC will actively undertake its public diplomacy, and increase its contacts with the parliaments and congresses, governments, political parties, major think tanks, mainstream mass media, and influential figures from all walks of life in foreign countries.

- Equal representation in people's congresses to close rural, urban gap (3<sup>rd</sup> March)  
When drought hit again this winter, Dorji, an ethnic Mongolian shepherd living in north China's Inner Mongolia Autonomous Region, worried about the fate of his 70 lambs.

"I may be short of feed in the spring. The grass is not growing and more than half of my income has gone on buying feed," said the 36-year-old who has about 270 sheep.

Like many farmers in the area, Dorji looked forward to receiving government help.

"I don't know who I should talk to about this," he said. "I hear of deputies of the people's congress, but do not know one or even how to find one."

Deputies of the people's congresses, at the local and national level, are elected to represent Chinese citizens in political affairs at the local and state levels.

Chaolumeng is a deputy of the National People's Congress (NPC), China's top legislature, and a full-time party chief of a village in the Siziwang Banner in Inner Mongolia.

Although they both live in Siziwang Banner, Chaolumeng and Dorji do not know each other as their villages are far apart.

"There are not enough deputies from the lowest level in rural areas," Chaolumeng said.

"We need more people from the countryside so that more farmers and shepherds' voices can be heard."

What Chaolumeng has suggested might become reality at the coming annual session of the NPC. An amendment draft to the Electoral Law will be reviewed for the third time and is very much likely to be passed.

The current Electoral Law, first enacted in 1953 and amended several times, stipulates that each rural deputy to the people's congress, at any level, is to represent a population four times that of an urban deputy.

If the amendment draft is passed at the coming session, a rural deputy would represent the same population as their urban counterpart, which would give rural residents more say.

Wang Junying, a professor of law with the Party School of Henan Provincial Committee of the Communist Party of China (CPC), told Xinhua, "Unequal representation of the rural and urban populations in the legislature was based on the reality of the time. But now reality has changed."

The rural population made up almost 90 percent of the country's total when New China was founded in 1949. Now though the ratio of urban and rural residents has dramatically changed, being about 45 to 53 in 2008.

"In the past decades, farmers' awareness of their rights and interests has improved a lot. And people living in rural areas are not necessarily farmers. As the economy boomed, the population of migrant workers, businesspeople, and the self-employed increased. Different interest groups need representatives to voice their concerns," Wang said.

Living in villages where communication and transport are not as good as cities, rural residents, like Dorji, face other problems in expressing their opinions. Sometimes in the past, the lack of smooth channels for people to voice their complaints has led to social frictions.

The government has taken steps to solve this problem, for instance, regularly sending officials to visit people in rural areas and talk with rural dwellers about the problems they face.

"As an integral part of the country's political system, people's congresses should be a major platform for people to express their opinions and defend their interests," Wang said. China is trying to close the gap between the cities and the countryside, she said. "But you can not move all farmers into cities or turn all villages into towns. The most important thing is to guarantee rural and urban residents have equal rights and interests."

"The equality of political rights will lay the foundation for equality of many other rights," she said.

#### TRIAL RUN

In the latest election in 2007, rural and urban residents in Sheyang county of east China's Jiangsu Province were equally represented at the people's congress of the county in a trial run.

Compared with the previous election in 2002, the total number of deputies was reduced by ten in 2007 because of population change, however the number of rural deputies increased by 18, said Yu Weihua, an official in charge of election affairs with the Standing Committee of Sheyang County People's Congress.

Rural deputies accounted for 55 percent of the total, up from 48 percent in the 2002 election.

"As more rural deputies joined, we received more motions related to agriculture development and public service for rural residents," Yu said.

At Changdang township in Sheyang, rural deputies have pushed the local government to build a new road and start a project to improve the quality of drinking water.

But, not everything has gone smoothly.

"It is not easy for us to elect deputies who can really represent farmers as many young people work in cities and no longer live in villages," Yu said.

Due to limited access to information and some deputies' lack of education, rural deputies could not always raise good motions, he added.

Prof. Wang Xuehui with the Southwest University of Political Science and Law suggested the people's congresses should provide training for rural deputies to help them better understand their work.

For instance, the deputies could join special investigation projects on issues which farmers think most important, he said.

- China's military spending slows, on paper (4<sup>th</sup> March)

After more than two decades of double-digit annual growth in defense spending, Beijing announced its budget would grow 7.5 percent in 2010. But analysts say China's military spending is only slowing on paper.

China's military spending will grow by 7.5 percent in 2010, the smallest increase in more than two decades of double-digit yearly growth, Beijing announced Thursday.

Decades of rapid growth of China's military, which has the largest standing army in the world with more than 2.3 million members, has aroused alarm from the West and some of China's neighbors. Analysts say the smaller growth this year is probably due to the global financial crisis, as well as an attempt to assuage international fears over China's rapidly expanding arsenal.

The Associated Press reports that parliament official Li Zhaoxing said this year's budget increase, bringing expenditures to about \$77.9 billion, will be used to "[meet various threats](#)," and that China's military is "defensive in nature." He said that China's defense spending makes up 1.4 percent of its gross domestic product (GDP), while defense spending in the US is more than 4 percent of GDP and more than 2 percent in Britain, France, and Russia.

But many foreign analysts consider China's actual military spending to be double what was announced, the AP reports.

The smaller rise in spending is due in part to the hit China's economy, especially the crucial export sector, has taken from the global financial crisis, prompting the government to rein in some expenditures, said Ni Lexiong, a defense analyst at Shanghai University of Political Science and Law.

Meanwhile, the leadership has realized that large increases are generating concern and suspicion among China's neighbors, potentially sparking an arms race, he said.

"The decline shows that China does not want to be seen as an aggressive military power," Ni said.

The BBC offers this [year-by-year graph](#) showing China's reported military spending verses estimated actual military spending.

The smaller increase this year may also be intended to [prevent criticism](#) of budget growth in the military while other agendas suffer from the financial crisis, or to signal easing tensions with Taiwan, reported Agence France-Presse.

As The Christian Science Monitor reported last month, China has voiced [strong anger](#) to the US over sales of US arms to Taiwan, which China still considers part of its territory. The US-China relationship has been slightly rocky lately over this and other issues, including President Obama's meeting with the Dalai Lama.

China's state-run news service Xinhua reports that the rapid growth of China's military spending in the past two decades was aimed at [modernizing](#) China's military and that the smaller increase this year shows that "China's defense development has entered a more mature, healthy and stable stage," according to an official.

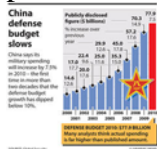
Reuters reports that China often uses its military spending to send [signals](#), and the smaller reported increase this year was not likely to slow actual military spending.

"All the evidence suggests that they are on a very powerful trajectory of expansion in substantive terms, and they seem to use this figure for political purposes almost, to send signals," said Ron Huisken, a China defense expert at the Australian National University in Canberra.

But an article in Foreign Policy magazine argues that while China's military is growing and modernizing, fears of China becoming a threat to the US are [premature](#). The US military is still far more advanced than China's, which does not possess the capability to challenge the US far from Chinese shores, the article argues.

Despite the goose-stepping soldiers at Chinese military parades, the PLA is far from a carbon copy of the Soviet threat. For all the jargon-laden, prideful articles about China's inevitable rise in the world, Chinese strategists are cautious not to openly verbalize aspirations to conquer the globe or establish distant bases, outposts, or supply stations.

Perhaps a generation from now, Chinese military planners might be strategizing more openly about how to acquire overseas basing rights and agreements with allies where they might station their forces abroad, just as the French and British have done since the Napoleonic wars and the Americans have done more recently. But with China, that process has not begun in earnest. At least, not for now.



<http://www.csmonitor.com/World/terrorism-security/2010/0304/China-s-military-spending-slows-on-paper>

- Summary of NPC's conference (STRATFOR) (5<sup>th</sup> March)

## Summary

China's National People's Congress (NPC) convenes on March 5. As China's top legislative body, the NPC issues its approval (though never its rejection) on new laws and discusses topics that include housing and real estate, strategic industries, the urban-rural divide, regional development, economic restructuring, and other issues. This year's NPC comes at a critical juncture — China is struggling to maintain growth and stability while addressing the excesses of its economic stimulus policies. With only two years remaining until a Communist Party leadership transition, the pressure is rising on the current leadership to address China's problems effectively without taking on more than it can handle.

## Analysis

The Third Plenary Session of China's National People's Congress (NPC) began on March 5 and will last until March 14, amid tightened security around Tiananmen Square and Beijing's roads and airspace. The NPC is China's legislature and the "supreme organ of state power" in China, meeting annually in March to vote on new laws and present major progress reports on government work. This year, the NPC will debate topics that include [housing and real estate](#), strategic industries, the urban-rural divide, regional development, economic restructuring, and nationalization and privatization of enterprise. Draft laws under consideration include one allowing the rural representatives equal proportion to urban ones in the NPC, one on supervising public servants and fighting corruption, and one on protecting state and corporate secrets.

The NPC's role has evolved over the years, and while it does not have the power of legislatures in Western countries, it offers a snapshot of the state of Chinese policy concerns. And this year's NPC [comes at a critical juncture](#) as China tries to maintain growth and stability amid uncertain global economic recovery.

China's government is authoritarian and centralized and rests on the dual authority of party and state, with the core of power residing not in the state apparatus, but in the Politburo of the Communist Party. The NPC is the chief state organ and consists of nearly 3,000 representatives from China's provinces, municipalities and other administrative regions, as well as from the People's Liberation Army, Hong Kong, Macao and Taiwan. About 70 percent of NPC deputies are Communist Party members, and all are nominated by local governments and party branches and elected by local People's Congresses. The Chinese premier, currently Wen Jiabao, heads up the State Council, which is the executive branch of the NPC, similar to a parliamentary Cabinet. The Chinese president and premier are both elected by the NPC.

The NPC has grown in stature in recent decades. The opening of China's economy and decades of development and growth have caused fundamental changes to the pathways by which Chinese officials rise to positions of power. The regions, newly freed to pursue their economic interests, have diverged in respect to their political views, and officials have increasingly sought to appoint others from their region to local and central government positions so as to serve that region's interests. The emergence of localism has been partially checked by the central government, which moves important personnel to far-flung regions to prevent them from becoming too beholden to a single power base. But localism is an underlying force in the NPC.

The NPC's major role is to approve (and not reject) the government work reports, budgets and laws put before it. Nevertheless, building consensus in the NPC is important for new laws, and the NPC has the option to delay votes on controversial measures until it believes consensus has been achieved. This means that draft laws taken to a vote during NPC sessions have usually circulated among officials for years and undergone extensive revisions, and they are vetted by the State Council before the NPC has a chance to vote on them. In the past two decades, the NPC representatives have also won more freedom to draft their own policy. The legislature draws its power from this ability to hold the process hostage, before it gives its inevitable approval of a bill.

Even individual members' negative votes have some meaning. Since the first negative vote was cast by a Taiwanese delegate in 1988, more deputies have voted against proposals handed down by the State Council — for instance, 30 percent of deputies voted against the controversial Three Gorges Dam project in 1992. It was not until 2005 that NPC deputies were required to mark a ballot even for a yes vote — previously, deputies opting to abstain or vote against a measure were conspicuous for being the only ones who picked up their pencils. The highest number of negative votes came when 52 deputies, out of 3,000, voted against the [new property law in 2007](#), according to Chinese state press. These relatively modest numbers of negative votes contrast with nearly unanimous yeas for much of the NPC's history. In a system that prizes consensus as much as the NPC does, higher numbers of negative votes send a signal to government leaders about the popularity of their measures.

This year's NPC plenary session comes at a critical juncture. In the aftermath of the global recession, China is struggling to maintain growth and stability while attempting to moderate stimulus policies and address imbalances in its economic structure. The NPC will focus on policies designed to maintain economic growth, reduce socially destabilizing price rises in sectors such as housing and food, increase domestic consumption and reduce dependence on exports, accelerate urbanization and rural development, and diminish the widening income gap and legal inequalities between rural and urban citizens.

Of course, the government's goal is not to embrace revolutionary changes — for instance, loosening the permanent household registration or “hukou” system, which deprives rural citizens of access to public services that urbanites receive, is not being voted on, though experimental reforms are under way and will be discussed by the NPC. Rather, the NPC is willing to bring up controversial and difficult problems, but mainly to acknowledge that it is taking action on the issue, and instruct the public not to expect immediate improvements.

In addition to discussing the annual government work report and budgets for central and local government, the NPC will consider a series of draft laws, three of which in particular catch STRATFOR's attention:

- **Electoral Law:** A draft law would increase the proportion of rural representatives in the NPC. At present, each rural deputy represents four times the population of an urban deputy — one urban deputy represents 240,000 urban citizens, while one rural deputy represents 960,000 rural citizens. This proportion was established in 1995 to reflect the country's overall urban-to-rural population ratio, just as the original law, in 1953, provided for rural deputies to represent eight times the population of their urban counterparts in keeping with the relative size of the

urban and rural populations at that time. The new law would give urban and rural people equal representation, as the country is expected to see its population equally divided between the two by 2015. The total number of NPC representatives will remain limited to 3,000, which means that the overall rural representation in the NPC will not be diluted by increasing the number of rural representatives. Greater representation will bring political benefits not so much to average rural people as to elites in rural regions such as Anhui or Sichuan (since candidates for the NPC will still be hand chosen by local governments). Rural deputies in the NPC will be able to command a larger following in drafting and supporting laws. Still, the sense of equality between rural and urban people will help Chinese leaders allay rural frustrations emerging from lower incomes and fewer legal rights than city dwellers, and perceptions of inadequate government assistance. A greater number of rural deputies, over time, could lead to stronger pressure for wealth redistribution to rural areas, given China's stark regional disparities. Ideologically the move will support the Communist Party's claims to providing democratic choice, and will help to generate consent among the public in favor of the regime.

- **Amending China's Law on Guarding State Secrets:** The draft revision has already been reviewed several times and approved by the Standing Committee of the NPC. The current State Secrets Law passed in 1989 is said to be vague and obsolete, especially in the Internet and high technology era, and one investigation revealed that 70 percent of leaked sensitive information emerged from the Internet. The new law will protect networks where information is stored and not available for public access. Additionally, the current revisions define secrecy levels and time limits for different levels of confidentiality and the conditions for declassification: The time limit for keeping top-level secrets should be no more than 30 years, no more than 20 years for low-level state secrets, and less than 10 years for ordinary state secrets, according to the draft. Although the revisions are meant to address the broad nature of the current law, the definition is still vague, enabling freer interpretation by Chinese intelligence and security forces. The draft is said to break state secrets down to three classifications — state, work and commercial. There has been some speculation after the Rio Tinto case that the revisions would better address the nature of commercial secrets and their intersection with state secrets, giving the government and authorities the ability to prosecute commercial espionage as espionage against the state.
- **Administration Supervision Law:** This law governs the supervision of public servants as Beijing maintains a nationwide anti-corruption drive. The proposal is to amend the law to limit it solely to government officials, excluding Communist Party officials and members of the judiciary who were included under supervision regulations in 2006. Allegedly the party and the judiciary have their own effective supervision systems. One interesting component of the new supervision law is that it demands that authorities respond to citizen whistle-blowers who inform authorities about official corruption or misdeeds, as long as the informers provide identification. The avowed purpose is to provide the public with better assurance that their complaints are being heard and corruption is being punished. Of course, while the law promises to protect the identities of these informers, forcing



whistle-blowers to disclose their identities tells the state who is interested in discovering government corruption, and could be used to stifle whistle-blowing while appearing to voice support for it.

There is one further reason that we will watch the 2010 NPC plenary session. Only two-and-a-half years remain until the Communist Party sees its fourth leadership transition since the foundation of the regime. Hu Jintao and Wen Jiabao will leave their positions and hand over the reins to successors. This means there is little time to achieve much in the way of economic or social reforms, and a great deal of risk in attempting anything bold. Moreover, there is no firmly established procedure for power transitions in the party, meaning that there is uncertainty among officials about the future, and different factions and cliques within China's leadership are jockeying for influence.

Thus, discussions on everything from economic restructuring to relations with the United States will take place in the context of heightened concerns about China's future. Of course, every effort will be made to preserve the appearance of unity among leaders, but this means that indications of disagreements, however slight, will be all the more important to watch.

- Wen Jiabao unveils increased social and rural spending for China (5<sup>TH</sup> March)

China congratulated itself today on its escape relatively unscathed from the global financial crisis but warned against complacency and vowed that the poor would not be forgotten in its economic advance.

In his annual "state of the nation" address to the opening session of the National People's Congress, the rubber-stamp parliament, Wen Jiabao, the Chinese Prime Minister, drew thunderous applause from the nearly 3,000 deputies when he said that China's economy had been the first in the world to turn around.

But the Prime Minister's two-hour speech was imbued with his traditional conservatism rather than triumphalism.

"We must not interpret the economic turnaround as a fundamental improvement in the economic situation," he said, speaking from the stage in the cavernous Great Hall of the People. "There is insufficient internal impetus driving economic growth."

Mr Wen set easily achievable goals for 2010, the year in which China is set to overtake Japan to become the world's second-largest economy.

His target for gross domestic product was 8.0 per cent — unchanged from previous years and generally regarded as the minimum China believes it needs to ensure sufficient economic growth to prevent widescale unemployment and social unrest. Economists say that China's economy could return to double-digit growth this year.

Underscoring the Government's determination to avert instability, he unveiled increases of 8.8 per cent on social spending and 12.8 per cent on rural outlays. Those exceed the increase of 7.5 per cent for the military as China tries to narrow yawning wealth gaps that have resulted in the widest income disparity since the launch of market-oriented economic reform 30 years ago.

The budget deficit would again be kept below 3 per cent of national income. Last year the deficit was just 2.2 per cent of GDP, despite its massive 4.0 trillion yuan (£400 billion) stimulus package that helped to ensure the economy grew by 8.7 per cent last year.

Mr Wen said: "We will not only make the pie of social wealth bigger by developing the economy, but also distribute it well."

In a speech that was a laundry list of every problem the Government faces and every progress it has achieved, Mr Wen devoted several sections to the hot topics of concern among his 1.3 billion people: soaring house prices, jobs, inflation and corruption.

He said: "Everything we do we do to ensure that the people live a happier life with more dignity."

He did not conceal the Communist Party's anxiety that graft could undermine its 60-year rule, pledging greater media oversight and to crack down on extravagance and meetings "long on form and short on content". He added: "This has a direct bearing on the firmness of our grip on political power." Barely a day goes by without a report of some regional official — and sometimes even a central government mandarin — being stripped of office for keeping a mistress or taking bribes.

After two successive years in which China was rocked by anti-Beijing ethnic riots in Tibet and far-western Xinjiang, the Prime Minister paid special attention to the need to ensure that minorities feel a "sense of citizenship". He said: "The Chinese nation's life, strength and hope lie in promoting solidarity, achieving common progress of our ethnic groups."

<http://www.timesonline.co.uk/tol/news/world/asia/article7050786.ece>

- China's Wen says seeks peace, trade deal with Taiwan (5<sup>th</sup> March)

(Reuters) - China said on Friday it wants to sign a broad economic agreement with Taiwan, which would slash import tariffs and open the banking sector, as part of a drive to promote peaceful ties with the self-ruled island.

"In the new year, we will continue to adhere to the principle of developing cross-strait relations and promoting the peaceful reunification of the motherland," Chinese Premier Wen Jiabao told the largely rubber-stamp parliament's almost 3,000 delegates.

"We will strengthen economic, trade and financial contacts between the two sides," he added. "We will encourage qualified mainland enterprises to invest in Taiwan."

Following Taiwan's election of the China-friendly President Ma Ying-jeou in 2008, the two sides have signed trade and tourism deals, though there have been no direct political talks and military suspicions remain deep on both sides.

The next major deal expected to be signed is an economic cooperation framework agreement (ECFA), bringing the export-reliant island and economic powerhouse China closer together.

Many in Taiwan fear the deal would flood the island with products from the much larger China.

Wen said China was committed to signing the agreement, and would not ignore Taiwan's concerns.

"We will promote a win-win situation, set up an economic cooperation mechanism that reflects the characteristics of both sides by negotiating and signing an economic cooperation framework agreement," he said.

Beijing wants to sign the trade deal in early 2010 to stop it from becoming an issue ahead of year-end polls in Taiwan's biggest cities, or next year as candidates gear up for the 2012 presidential race, said Raymond Wu, managing director of the Taipei-based political risk consultancy e-telligence.

"Clearly, Beijing senses the urgency of getting ECFA signed this year," Wu said.

In his annual address to parliament, Wen did not repeat last year's offer to hold political and military talks with democratic Taiwan and sign a peace agreement with the island.

China reacted angrily after the United States unveiled in January its first arms package for Taiwan -- including missiles, helicopters and mine hunting ships -- threatening to impose sanctions on the companies involved.

Beijing has largely aimed its ire at the United States rather than Taiwan, wary of damaging warming relations.

The United States has been Taiwan's main arms supplier for decades since China and Taiwan split in 1949 amid civil war.

Wen made no mention of the U.S. arms sales.

China has threatened to use force to bring Taiwan back to the fold. Taiwan says China aims more than 1,000 missiles at it.

[http://www.reuters.com/article/idUSTRE6240RG20100305?loomia\\_ow=t0:s0:a49:g43:r3:c0.067961:b31393332:z0](http://www.reuters.com/article/idUSTRE6240RG20100305?loomia_ow=t0:s0:a49:g43:r3:c0.067961:b31393332:z0)

- World media focus on China government work report (5<sup>th</sup> March)

(Xinhua) -- World media have paid close attention to Chinese Premier Wen Jiabao's government work report to the annual session of the National People's Congress (NPC), focusing on China's fiscal and monetary policies in particular.

The Associated Press said Wen promised strong growth this year and said the government would combat inflation and risks to banks to keep the rebound in the world's third-largest economy on track.

Despite external pressure, Wen said China would keep its currency "basically stable," the AP report said.

Reuters said Wen stressed that China would maintain an appropriately easy monetary stance and would seek to keep the currency basically steady at a reasonable and balanced level.

Agence France-Presse (AFP) said China on Friday predicted another year of rapid expansion in 2010.

In his annual address to open parliament, Premier Wen also pledged to tame inflation and curb rampant bank lending to forestall a risky bubble in the economy, the report said.

- Wen stresses "political trust" between mainland, Taiwan (5<sup>th</sup> March)

(Xinhua) -- Premier Wen Jiabao Friday called for the mainland and Taiwan to enhance mutual political trust and strengthen the political foundation for a peaceful relationship.

The mainland and Taiwan should uphold the principle that the two sides belong to one and the same China, Wen said in the government work report at the annual session of the National People's Congress, the top legislature.

Wen hailed the progress made in mainland-Taiwan relations during the past year, saying that continuous improvement has brought real benefits to the people.

Ties across the Taiwan Strait have warmed up in recent years, with the realization of direct air and sea transport links and postal services.

The two sides are also negotiating about an economic pact, the Economic Cooperation Framework Agreement (ECFA), which aims at normalizing trade and investment links.

Wen said in the report that a unique economic cooperation mechanism would be established through negotiating and signing the ECFA.

In an online chat with Internet users on Saturday, Wen said the mainland is willing to make concessions when negotiating.

"The reason is very simple: Taiwan compatriots are our brothers," he said.

## **Foreign relations**

- China, US seek to put tensions behind them (2<sup>nd</sup> March)

By CHRISTOPHER BODEEN (AP)

BEIJING — U.S. envoys hope to ease a two-month spike in tensions with China, but differences over the issue of new sanctions against Iran have emerged as a snag even before this week's talks in Beijing can begin.

Deputy Secretary of State James Steinberg and Senior White House Asia adviser Jeffrey Bader are aiming to put relations back on track following frictions with Beijing over trade, Tibet, and Taiwan.

An hour before their plane landed Tuesday, however, Foreign Ministry spokesman Qin Gang offered a reminder of the tough challenges remaining, reiterating Beijing's insistence that now is not the time for new U.N. Security Council sanctions against Tehran for its nuclear defiance, as proposed by the U.S. and others.

"We call for resolution of the Iranian nuclear issue through diplomatic means," Qin told reporters.

Qin was responding to questions about Russian President Dmitry Medvedev's comments Monday that Moscow was ready to consider new sanctions, after initially being skeptical of them. China, one of five veto-wielding permanent Security Council members, signed on to three earlier rounds of sanctions but has showed no indication of budging on new measures.

Israel's prime minister told members of parliament Tuesday that an Israeli delegation sent to Beijing last week to make the case for sanctions found China's intentions unclear.

"I don't think that they are going to vote in favor of sanctions, but it's possible they won't impose a veto," Prime Minister Benjamin Netanyahu told the Foreign Affairs and

Defense Committee, according to a meeting participant, who spoke on condition of anonymity because the session was closed.

China may want to avoid any damage to its burgeoning economic relationship with Iran, an important source of energy for the booming Chinese economy. Beijing shares relatively few of Washington's concerns in the Middle East beyond energy security, and the recent bilateral tensions may have made the leadership even less inclined to cooperate with the U.S. push for sanctions.

Beijing was incensed by Washington's January announcement of a \$6.4 billion weapons package for Taiwan, the self-governing island it considers Chinese territory. Beijing suspended military exchanges and has threatened to retaliate against U.S. aerospace firms involved in the deal.

Beijing protested again when President Barack Obama met at the White House with the exiled Tibetan spiritual leader, the Dalai Lama, whom Beijing accuses of seeking independence for the Himalayan region.

Other irritants include Google's contention that its e-mail accounts were hacked from China, followed by U.S. Secretary of State Hillary Rodham Clinton's criticisms of the censorship of cyberspace by China and others. Beijing lashed out at Google and what it labeled U.S. "information imperialism," while the Foreign Ministry said Clinton's remarks damaged bilateral relations.

The new tensions join recurring friction over human rights and commerce, with U.S. critics accusing China of deliberately undervaluing its currency to boost its massive trade surplus. Meanwhile, Beijing last month charged Washington with abusing trade relief measures after U.S. regulators increased import duties on Chinese-made steel pipes.

"We hope the U.S. side takes seriously the Chinese position and ... works with the Chinese side to push the China-U.S. relationship back to the track of sound and healthy development," Qin said, reiterating Beijing's insistence that the U.S. was solely responsible for damage to relations.

Few details have been given about the U.S. envoy's visit, although the Americans will meet with Chinese Foreign Minister Yang Jiechi and other leaders. The visit is scheduled to run through Thursday.

In Washington, State Department spokesman P.J. Crowley said Iran would be discussed, along with efforts to coax North Korea back to six-nation talks on ending its nuclear programs.

But he indicated bilateral relations would be the main thrust of the exchanges.

"We've gone through a bit of a bumpy path here, and I think there's an interest both within the United States and China to get back to business as usual as quickly as possible," Crowley said.

The success of the U.S. envoys' would depend on their ability to reassure China that its core interests — those related to sovereignty and national security — would be respected, said Zhao Qizheng, head of the foreign affairs committee for the Chinese legislature's advisory body.

"It's like a tennis match. The U.S. served this ball and all the Chinese side has done is return," Zhao said.

<http://www.google.com/hostednews/ap/article/ALeqM5jzzULJt2ZiW2IZR3KKuViEpbOAIQD9E6JTQ00>

- US Deputy Secretary of State Arrives in Beijing for Talks (2<sup>nd</sup> March)

Deputy Secretary of State James Steinberg arrived in Beijing Tuesday, to begin the first talks since relations soured because of a range of issues from cyber-spying to trade.

A U.S. Embassy spokesman in Beijing says Steinberg will discuss a range of bilateral issues, including China's stance toward Iran over its nuclear development program.

"There's a lot of issues out there that we're talking to the Chinese on, and Iran is just one of them. But, of course, our relationship is very comprehensive and very complex," he said.

With Russia now saying it is ready to consider tougher sanctions against Tehran, Washington is eager to get Beijing to do likewise.

However, the deputy secretary of state might have to work hard to start the thaw in the currently icy relations between Beijing and Washington.

Hours before his arrival, China - which is one of five veto-wielding permanent members of the United Nations Security Council - staunchly repeated its belief that diplomacy was still the best way forward.

China is still smarting about a range of disputes, including American arms sales to Taiwan and President Barack Obama's recent meeting with the Dalai Lama.

Foreign Ministry spokesman Qin Gang reiterated Tuesday that Beijing holds the United States responsible for damaging relations and says it is up to Washington to patch things up.

He says China demands the U.S. side seriously treat Beijing's concerns with respect on issues such as Tibet and human rights.

He says the Chinese should not bear the responsibility for the strained ties and is urging Washington to respect Chinese core interests.

From China, the deputy secretary of state will travel on to Tokyo, with talks on bilateral issues with Japanese government officials.

<http://www1.voanews.com/english/news/asia/US-Deputy-Secretary-of-State-Arrives-in-Beijing-for-Talks-85952172.html>

- China urges U.S. to respect its core interests (2<sup>nd</sup> March)

(Xinhua) -- A Chinese foreign ministry spokesman urged the United States to respect its core interests while commenting on a trip to China by two senior U.S. diplomats on Tuesday.

"We urge the U. S. to earnestly observe the principles laid down in the three Sino-U.S. joint communiques and their joint statement, respect China's core interests and properly handle sensitive issues, so as to push the relations back to the normal track," said spokesman Qin Gang at a regular press conference.

U.S. Deputy Secretary of State James Steinberg and National Security Council Senior Director for Asian Affairs, Jeffrey Bader, started a three-day visit to China Tuesday amid recent tensions in bilateral ties following Washington's 6.4-billion-U.S.-dollar arms sales plan to Taiwan and President Barack Obama's meeting with the Dalai Lama.

China is not to blame for the current difficult situation, Qin said, urging the U.S. to take China's interests and concerns seriously.

The foreign ministry said the U.S. side proposed the visit and China then accepted it.

- China wishes progress in DPRK-ROK talks, says FM spokesman (2<sup>nd</sup> March)

(Xinhua) -- China on Tuesday expressed hope that progress will be achieved in talks between the Democratic People's Republic of Korea (DPRK) and the Republic of Korea (ROK).

Chinese Foreign Ministry spokesman Qin Gang made the remarks at a regular press conference when questioned about the talks between the DPRK and ROK that started Tuesday to resolve problems hampering operations at a joint industrial park.

The working-level talks are being held in the border town of Kaesong where the industrial park is located.

"China always supports the Korean Peninsula's north and south to advance dialogue and cooperation, and promote their reconciliation process," Qin said.

"We hope to see an improvement in relations between the two nations," Qin said, noting that this would benefit not only the Korean Peninsula but the regional peace and stability.

- Chinese envoy reiterates China's support to Darfur peace efforts (3<sup>rd</sup> March)

Chinese Special Envoy to Darfur, Liu Guijin, on Wednesday reiterated his country's support to the ongoing efforts to find a peaceful settlement to the Darfur crisis.

"China believes in the importance of finding a comprehensive and lasting peace agreement on the Darfur issue, and encouraging the conflicting parties to achieve a comprehensive peace and resolve the root-causes of conflicts in the region," Liu told reporters after his meeting with Sudanese President Omar al-Bashir.

He expressed China's support for the peace process in Darfur, saying "China supports the normalization of Sudan-Chad relations, the framework agreement recently signed between the Sudanese government and the Justice and Equality Movement (JEM) and the negotiations between the government and all the Darfur factions."

In the meantime, Liu expressed China's confidence in Sudan's ability to organize free and credible elections, saying "China has provided a financial support for the electoral process in Sudan."

"The Chinese government has decided to send observers to monitor the elections," he added.

He further expressed China's appreciation of the success of the signatories to the Comprehensive Peace Agreement (CPA), the National Congress Party (NCP) and the Sudan People's Liberation Movement (SPLM), in overcoming the issues which hampered implementation of the CPA.

"The two partners have managed to overcome the barriers through dialogue and concessions," he said.

On Sunday, the Chinese envoy started his visit to Sudan during which he held talks with a number of Sudanese officials in Khartoum.

He also visited Juba in south Sudan and held talks with the Sudanese First Vice-President and President of the government of south Sudan Salva Kiir Mayardit.

- US and Chinese officials meet in bid to mend fences (3<sup>rd</sup> March)

**Two senior US diplomats have begun meetings with Chinese officials over a wide range of issues, amid a series of high-profile disagreements.**

The Deputy Secretary of State James Steinberg and White House adviser Jeffrey Bader arrived in the Chinese capital on Tuesday.

They were greeted with calls by China to forgo further sanctions on Iran - a major US foreign policy goal.

The two powers have disagreed recently over Tibet, trade and Taiwan.

China was upset when US President Barack Obama met Tibet's spiritual leader, the Dalai Lama. It was also angered by Taiwan securing a weapons deal from the US.

### **Frictions**

The US has supported the internet search company Google in its concerns over censorship in China, and other trade rows persist.

However, Beijing did allow the visit of the aircraft carrier USS Nimitz to Hong Kong last month.

One issue where China and US are in agreement is the need to bring North Korea back to the negotiating table over plans to end its nuclear programmes.

China has led the six-party talks - bringing together the two Koreas, China, the US, Russia and Japan - which its ally, North Korea cancelled last year.

South Korea's Foreign Minister, Yu Myung-hwan, reportedly said that the North Korean nuclear envoy Kim Kye Gwan would meet officials in the US next month.

### **Key meetings**

The three-day visit comes ahead of a series of key meetings, including a global nuclear security summit in Washington in April, and the next round of Sino-US "Strategic and Economic Dialogue", which last took place in July 2009.



"If this (visit) suggests that we are refocusing on the future and the important issues that we can work on together, I think we are encouraged by this," State Department spokesman Philip Crowley said on Tuesday.

"This is expressly why we sought this meeting - to be able to refocus on very specific issues, not the least of which is obviously our joint concerns about Iran," Mr Crowley said.

Chinese officials have repeatedly said in recent weeks that the blame for bilateral friction rests with Washington.

"The responsibility for the current difficulty in China-US relations goes completely to the US side," foreign ministry spokesman Qin Gang told reporters on Tuesday.

"We hope the US side takes the Chinese position seriously."

"The Americans need to understand that the China-US relationship is like a car with two drivers," said Zhao Qizheng, a spokesman for the Chinese People's Political Consultative Conference, a legislative advisory body.

"China also has control over the steering wheel, the accelerator and the brake. The two drivers must consult with each other to drive the car, otherwise it will only spin around," he said.

The US diplomats will be going on to Japan on Thursday.

<http://news.bbc.co.uk/2/hi/asia-pacific/8546805.stm>

- Expert says China-U.S. tensions temporarily relieved (3<sup>rd</sup> March)

Tensions between the United States and China will be temporarily eased as two senior U.S. officials visit Beijing with hopes of patching up ties, an expert said Tuesday.

"The United States sent two senior diplomats to China because it is reluctant to see U.S.-China rifts spiraling out of control," said Pei Minxin, a senior associate of the China Program at the Carnegie Endowment for International Peace.

Except for the Iranian nuclear issue, the recent disputes between China and the United States will basically come to an end, Pei, who is also a professor of government at Claremont McKenna College in California, told Xinhua.

The visit "puts a comma to recent frictions between the two sides, but not a full stop," as disputes will continue to emerge, he said.

U.S. Deputy Secretary of State James Steinberg and National Security Council Senior Director for Asian Affairs Jeffrey Bader began their visit to Beijing on Tuesday and will stay there until Thursday before going to Japan.

The trip is mainly aimed at exchanging opinions with the Chinese side about the Iranian nuclear issue, and explaining the U.S. stance on such issues as selling weapons to Taiwan, President Barack Obama's meeting with the Dalai Lama and the Google case, he said.

In recent weeks, the two nations mainly communicated with each other through the media, which might lead to speculation and misunderstandings, said the expert, adding that face-to-face, high-level exchanges would always be more direct and effective.

- Chinese president accepts credentials from five new ambassadors (3<sup>rd</sup> March)

Chinese President Hu Jintao on Wednesday accepted credentials presented respectively by the ambassadors to China from Barbados, Britain, Bosnia and Herzegovina, Macedonia and the Philippines.

The five new ambassadors are Lloyd Erskine Sandiford from Barbados, Sebastian Wood from Britain, Amel Kovacevic from Bosnia and Herzegovina, Oliver Shambevski from Macedonia, and Francisco L. Benedicto from the Philippines.

- China urges resolution of Iran nuclear issue through dialogue, negotiation (4<sup>th</sup> March)

(Xinhua) -- A Chinese official said Thursday that resolving the Iran nuclear issue through dialogue and negotiations was "consistent with" interests of all parties involved.

Chinese Foreign Ministry spokesman Qin Gang made the remarks at a regular news briefing in response to a journalist's question about Western governments sending a new sanction proposal on Iran to China and Russia.

"China has always safeguarded the international nuclear non-proliferation system and maintained resolving the Iran nuclear issue through dialogue and negotiations so as to preserve peace and stability in the Middle East," said Qin.

China had long been a "responsible and active" player in international efforts to resolve the issue, said Qin.

- China-US Talks Fail to Heal Rift (4<sup>th</sup> March)

Despite meetings this week in Beijing between senior American and Chinese officials, China is repeating its call to the United States to fix strained relations between the two countries.

China describes Deputy Secretary of State James Steinberg's two-day fence-mending visit to Beijing as candid and in depth.

But, if there has been an improvement in ties after Steinberg's talks with his Chinese counterparts, it was not evident at the media briefing given by the Chinese Foreign Ministry after his departure.

Spokesman Qin Gang repeated in the determined tone used in recent weeks that, if the bilateral relationship is to continue on a stable path, it is up to Washington to make amends and push the relationship back to more friendly terms.

He says Washington has to sincerely respect China's core interests and specifically mentioned Taiwan and Tibet, referring to the U.S. arms sales to Taipei and the White House meeting with Tibet's exiled leader, the Dalai Lama - just two of several issues that have angered Beijing.

An American embassy spokesman told VOA it is too early to assess the impact of the deputy secretary of state's visit.

"Our goal has always been to make our relationship more mature to weather any issue good or bad, to [a point] where we can continue to the number of dialogues and numerous lines of communications we have to overcome our differences and find areas of cooperation," he said.

His response emphasizes how the slightest nuances of the talks will be poured over by both sides for true their meaning and significance.

In the talks, Steinberg pressed Beijing to consider sanctions against Iran because of Tehran's nuclear program. But, with oil interests in the country, Beijing is reluctant to upset a key ally.

And Qin again said China, which has the power to veto any UN Security Council sanctions - still believes there is room for diplomacy.

U.S. officials say they will offer clearer insight into Steinberg's talks Friday.

The deputy secretary of state has flown on to Tokyo to meet Japanese government officials.

<http://www1.voanews.com/english/news/asia/China-US-Talks-Fail-to-Heal-Rift-86332057.html>

- Microsoft to stay its China course despite Google spat (5<sup>th</sup> March)

Microsoft said it will stick to its development strategy for the China Internet search market regardless of the outcome of Google's high-profile spat with Beijing.

Microsoft has kept a relatively low profile in China since Google announced its decision to potentially withdraw from the market over censorship issues and following an attack on its systems that it believes originated in China.

Microsoft chief executive Steve Ballmer previously said his company had no plans to pull out of China, indicating it was unlikely to follow Google's lead in challenging a Chinese system that forces Internet companies to self censor their sites on sensitive topics. "Regardless of whether or not Google stays, we will aggressively promote our search and cloud computing (in China)," Zhang Yaqin, chairman of Microsoft's Asia-Pacific R&D Group, told Reuters on Friday, on the sidelines of the opening of the National People's Congress, China's parliament, in Beijing.

China was in consultation with Google to resolve their dispute, Minister Li Yizhong from China's Ministry of Industry and Information Technology (MIIT) said, also on the sidelines of the NPC.

A Google spokeswoman declined to confirm or deny that discussions were taking place.

"We will not be commenting on any discussions with the Chinese government," she said in a statement.

Google launched its China search site in 2006, and complies with local laws requiring censorship of certain content such as pornography and sensitive subjects such as the banned Fulun Gong spiritual movement and Tibetan independence.

Microsoft and local players, including Baidu, China's search leader, and Sohu.com, must also comply with those laws. Google controls about 31.3 percent of the Chinese Web search market, compared with 63.9 percent for Baidu, according to Analysys International.

By comparison, Microsoft is a bit player in a market that was worth 2 billion yuan (\$293 million) in the third quarter, but has high hopes there following the launch of a beta Chinese version of its highly hyped Bing search site launched last June.

"We hope to achieve a relatively important place in the China search market," Zhang said. "But we must be very patient, we still need a lot of time."

Zhang added that other key development areas for Microsoft in China this year would include search and advertising platform technologies, and development of mobile platforms and cloud computing technologies.

Microsoft considers China a vital market for its Web search business, and is hoping to duplicate early progress for the U.S. version of Bing in China, the world's largest Internet market by users with more than 350 million.

Zhang added that Microsoft planned to spend about \$500 million on research and development in China this year, and another \$150 million on outsourced projects.

[http://www.reuters.com/article/idUSTRE6240V620100305?loomia\\_ow=t0:s0:a49:g43:r2:c0.111111:b31434178:z0](http://www.reuters.com/article/idUSTRE6240V620100305?loomia_ow=t0:s0:a49:g43:r2:c0.111111:b31434178:z0)

- China's new UN envoy vows to promote "friendly co-op" with all countries (5<sup>th</sup> March)

(Xinhua) -- China's new UN Ambassador Li Baodong pledged on Thursday that he will strive to promote the "friendly cooperation" between China and all other countries.

Li made the remarks to Chinese journalists after he presented his credentials to UN Secretary-General Ban Ki-moon at UN Headquarters.

"The United Nations is the most universal, representative and authoritative inter-governmental organization," he said. "As a staunch supporter of the United Nations, China has actively involved itself in the world body's work relating to a wide range of fields such as politics, security, disarmament, peacekeeping, economy, society, human rights, culture and law."

"As China develops itself, it is increasingly establishing closer tie with the world," Li said. "China is willing to work with all other countries to tackle global challenges such as the economic and financial crisis, climate change, terrorism, communicable disease, energy security and food security."

He said that as the new Chinese permanent representative to the United Nations, he felt "greatly honored and a strong sense of responsibilities."

"Recent years have witnessed the emergence of an increasingly stronger China pursuing an increasingly proactive diplomacy," he said, adding that he will strive to "actively promote the friendly cooperation between China and all other countries and international organizations."

- China backs UN role in int'l affairs: new Chinese envoy (5<sup>th</sup> March)

(Xinhua) -- China firmly supports the central role of the United Nations in international affairs, and the efforts to safeguard and strengthen the authority of the world body, a new Chinese envoy to the UN said Thursday.

China will continue to play an active role in all UN agencies, said Li Baodong, the new Chinese permanent representative to the UN.

Li presented his credentials to UN Secretary-General Ban Ki-moon at the organization's headquarters in New York.

The United Nations is the most universal, representative and authoritative inter-governmental organization in the world, Li said.

China advocates multilateralism all along and values the role of the organization in the globe.

Ban thanked China for the longstanding great support it has given to the UN.

Speaking highly of the active contributions that China made to the relief efforts in the quake-hit Haiti, the UN chief said that "It is impressive to see the Chinese rescue team is the first international team to arrive in Haiti after the earthquake."

Ban appreciated China's leading role in such areas as the efforts to realize the Millennium Development Goals, deal with climate change, promote public health, and undertake disaster relief work.

Giving a positive assessment to the sound cooperation between China and the United Nations, Ban said that the UN work can not succeed without the participation and support of China.

He also expressed his willingness to broaden the scope of their cooperation.

- China says six-party talks "still has vitality," hopes for resumption by mid year (5<sup>th</sup> March)

(Xinhua) -- China looks to restart the six-party denuclearization talks before July, a senior diplomat told Xinhua Friday.

"Utmost efforts will be made to restore the six-party talks in the first half of this year," said Wu Dawei, China's special representative for Korean Peninsula affairs.

Wu said on the sidelines of the Chinese parliament and advisory sessions the deadlock lies in the lack of trust between related parties, but "the six-party talks mechanism still has vitality."

The talks, which was initiated in 2003 and involves China, the Democratic People's Republic of Korea (DPRK), the United States, the Republic of Korea (ROK), Russia and Japan, has been stalled since December 2008.

Wu said he has recently exchanged views with the chief negotiators of the other five parties and put forward China's proposals on how to solve the problems concerning the resumption.

The U.S. special envoy for the DPRK, Stephen Bosworth, visited the DPRK in December and met with Deputy Foreign Minister Kang Sok Ju. That was the first official dialogue between the United States and the DPRK since U.S. President Barack Obama took office. Bosworth said the two sides reached "certain consensus" on the need to resume the six-party talks. A spokesman for the DPRK Foreign Ministry said the two sides reached "a series of common understandings."

Wu, former vice foreign minister of China, was appointed by the Chinese government on Feb. 10 this year as its special representative for Korean Peninsula affairs and is in charge of the six-party talks and related issues.

He also serves as deputy director of the Committee of Foreign Affairs of the Chinese People's Political Consultative Conference (CPPCC) National Committee. The top advisory body started its annual plenary session Wednesday afternoon.

- UN peacekeeping official says Chinese police squad in Haiti excellent (5<sup>th</sup> March)

(Xinhua) -- A senior UN peacekeeping official visited the base camp of the Chinese peacekeepers here on Thursday, lauding them as an excellent contingent of the UN Stabilization Mission in Haiti.

Ann-Marie Orlor, the deputy UN police adviser, paid a surprise visit to the base camp of China's anti-riot police squad after cancelling an originally planned trip to Nigeria's facility.

She inspected the tents where the peacekeepers sleep, watched their formation drill, and toured a vegetable plot where cabbages, Chinese cabbages, towel gourds were planted.

The UN official said she had never imagined that the Chinese squad knew how to grow vegetables.

Political Commissar Hu Yunwang and Captain Liu Jianhong of the Chinese squad then joined Orlor to inspect the arsenal room where all equipment was kept in order.

Orlor said many people had told her that the Chinese contingent was very professional, and seeing with her own eyes made her believe the Chinese were excellent.

Haiti is the Western Hemisphere's poorest country and has for decades struggled with devastating storms, floods and political unrest. Around 9,000 UN peacekeepers have provided security since a 2004 uprising ousted one president. The mission lost more than 40 members, including its top leaders, when its headquarters collapsed in the Jan. 12 earthquake.

- Chinese official says no request from Google for negotiations (6<sup>th</sup> March)

(Xinhua) -- The Chinese Ministry of Industry and Information Technology has not received Google's request for negotiations yet, said Vice Minister Miao Wei on Saturday.

Google's had never filed reports over alleged Internet regulation and cyber attacks to the ministry or requests for negotiations, said Miao, on the sidelines of China's annual session of the National People's Congress, the country's top legislature.

It had also never informed the ministry that it was planning to withdraw from China, the official added.

- China, Pakistan to hold anti-terrorism military training in summer (6<sup>th</sup> March)

(Xinhua) -- Chinese and Pakistani armies will hold a joint anti-terrorism military training in China this summer, the Information Office of the Ministry of National Defense said Saturday.

The training, code-named "Friendship-2010," will be the third one of this kind between the two countries, the office said, giving no details about the training.

The office said the two armies' expert teams held the first round of discussions about the training from March 1 to 3.

They agreed that the training, not targeting at the third party, was aimed at "deepening the friendly and cooperative relationship between the two armies" while "enhancing their capabilities in coping with terrorism and safeguarding regional peace and stability."

China and Pakistan held their first-ever joint anti-terrorism exercise code-named "Friendship-2004" in Xinjiang's Taxkorgan Tajik Autonomous County bordering Tajikistan, Afghanistan and Pakistan. About 200 border troops from both sides participated in the drill.

The second joint anti-terror military training was code-named "Friendship-2006." It was carried out in the hilly area of northern Pakistan's Abbottabad. More than 400 troops from both armies took part in the exercise.

## **Economic front**

- Chinese mainland to further open agricultural product market to Taiwan: ministry economist (28<sup>th</sup> February)

(Xinhua) -- The chief economist of Ministry of Agriculture said Sunday the mainland would ensure Taiwan's agricultural products to have more access to the mainland market following a series of favorable entry policies launched in recent years.

Chen Mengshan told Xinhua that the mainland would help Taiwan farmers to expand market presence in the Chinese mainland, and protect the intellectual property rights of the island's agricultural products through tightened market supervision.

The Chinese mainland has already applied the zero tariff treatment to 15 fruits, 11 vegetables and 8 aquatic products of Taiwan, and sent purchasing groups to the island in harvest seasons.

Taiwan's export of agricultural products to the mainland hit 364 million U.S. dollars, 25 times larger than in 1997, Chen said.

By the end of 2009, as many as 6,100 Taiwan agricultural enterprises invested a total of 7.2 billion U.S. dollars in the mainland, reaping substantial profits, Chen said.

Chen also said the agricultural products in the mainland are complementary to local products in the Taiwan market.

"We understand and respect Taiwan's concerns over the entry of agricultural products from the mainland," Chen said.

- Toyota head to brief in China on quality issues (28<sup>th</sup> February)

Toyota Motor Corp said its president would hold a news conference in Beijing on Monday as the automaker looks to limit the damage from a massive global recall on the fast-growing Chinese market.

Akio Toyoda will brief the media at 6:00 p.m. in Beijing (1000 GMT) on Monday, with the aim of explaining to the public about its recent quality issues, Hitoshi Yokoyama, a spokesman for a China unit of Toyota said.

The briefing will follow Toyota's appearance last week in Washington, where he was grilled by U.S. lawmakers for a series of recalls that have tarnished the carmaker's brand and reputation for quality.

<http://www.vancouversun.com/Toyota+head+brief+China+quality+issues/2626877/story.html>

- China builds 'international gateway' for trade with India, Bangladesh and Myanmar (3<sup>rd</sup> March)

BEIJING: China has set out to build what a senior Communist party leader described today as “an international gateway to South Asia”. The grandiose plan involves trade routes connecting India, Bangladesh, Myanmar and Nepal with three Chinese provinces.

Air China has just launched a direct flight between Chengdu in southwestern China with Bangalore. The 5-hour flight will operate twice a week. This is the first non-stop air link between western China and India. Bangalore has become the fourth Indian city after New Delhi, Mumbai and Kolkata to have direct air links with China.

China is also building a road link with Myanmar and trying to connect its Yunnan province with Bangladesh by road. The move follows repeated requests from Dhaka for establishing a direct trade route between the two countries.

The proposed road from Yunnan might pass through a small part of Myanmar before entering Bangladesh. Plans include connecting these roads with the Kunming highway that is being built to link Yunnan with Bangkok. The result will be a grand network of road links between Thailand, Myanmar and Bangladesh with China's Yunnan province at the centre.

Myanmar's rail transportation department has already begun work on laying a railroad connecting the country's border town of Muse with Jie Guo in China's Yunnan province, sources said. A railway station will be built at Sone Kwe village near the Lashio-Muse Union Road that passed close to the Chinese border.

Muse accounts for 70% of the border trade conducted by Myanmar through 11 trade points along its border. The proposed rail link is expected to vastly enlarge the commodity flow between Myanmar and China. China has also agreed to build a land bridge to transport oil and gas from Myanmar.

These moves are besides proposals to extend the Tibet railway link to Nepal and build an additional road link between Tibet and Nepal. China also plans to widen the Karokoram highway between its western province of Xingjian and Pakistan.

The Chinese provinces of Yunnan and Sichuan have been in serious competition to build direct trade links with South Asia. Sichuan's Chengdu city has managed to rope in investment from Wipro and has now managed to connect with Bangalore. Yunnan has



gained in terms of border trade owing to its geographical advantages being closer to some of the South Asian countries.

<http://timesofindia.indiatimes.com/world/china/China-builds-international-gateway-for-trade-with-India-Bangladesh-and-Myanmar/articleshow/5637937.cms>

- China strictly follows WTO rules in foreign trade: spokesman (4<sup>th</sup> February)

(Xinhua) -- China has been strictly following the rules of the World Trade Organization (WTO) in foreign trade since it became a member of the international organization, a spokesman for the annual session of the nation's top legislature said here Thursday.

Li Zhaoxing, spokesman of the 3rd session of the 11th National People's Congress, made the remarks at a press conference when answering a question concerning China's trade dispute with the west.

"There is nothing to worry about as China has strictly followed the WTO rules in foreign trade, or both export and import, since it became the 143rd WTO member on December 11, 2001," said Li

"What we need to do is..., in line with the WTO rules, to stick to the principles of being fair, reasonable, equal and mutually beneficial in trade," Li said.

The NPC session will open Friday morning and is scheduled to last 10 days.

- China tensions with West over yuan seen growing –paper (4<sup>th</sup> March)

HONG KONG, March 5 (Reuters) - The United States and other Western nations will likely increase pressure on China to allow its currency to appreciate, China's former ambassador to the United States said in a newspaper report published on Friday.

"America's speculation towards the yuan exchange rate (appreciation) issue could heat up," Hong Kong's pro-Beijing Wen Wei Po newspaper cited Zhou Wenzhong, China's former ambassador to the United States, as saying.

"What's more, other developed Western countries may join in."

China has frozen the yuan exchange rate at about 6.83 per dollar since mid-2008 to preserve the international competitiveness of its exporters, causing dismay in Washington and Brussels.

Earlier this week, a senior International Monetary Fund official urged Beijing to be more flexible on its currency [ID:nSGE62209B], and a group of U.S. lawmakers last month called on the Obama administration to consider retaliatory action against what they say amounts to a government subsidy for Chinese exporters. [ID:nN25107316]

Zhou, a standing committee member of China's top advisory body, the CPPCC, delivered a speech during the country's annual parliamentary meetings in which he warned that in the post-financial crisis era there might be more bilateral economic and trade frictions.

"The 'China economy threat theory' may escalate again," he was reported as saying by Wen Wei Po. "Tensions will increase".

Washington has long argued that China's currency, the yuan [CNY=CFXS](#), is undervalued, exacerbating the United States' trade deficit. The Peterson Institute for International Economics in Washington has estimated that the yuan is undervalued by about 40 percent against the U.S. dollar.

In his annual address to the National People's Congress on Friday, Premier Wen Jiabao signaled continued caution towards the yuan, reiterating standard language that Beijing would seek to keep the currency basically steady at a reasonable and balanced level.

[http://www.reuters.com/article/idUSTOE62401K20100305?loomia\\_ow=t0:s0:a49:g43:r1:c0.134615:b31380398:z0](http://www.reuters.com/article/idUSTOE62401K20100305?loomia_ow=t0:s0:a49:g43:r1:c0.134615:b31380398:z0)

- Chinese shares fall Thursday on policy uncertainty (4<sup>th</sup> March)

(Xinhua) -- Chinese equities lost almost 2.4 percent Thursday, the biggest daily fall in five weeks, as investors stayed on the sidelines to await indications of economic policies from China's annual parliamentary meetings due to open Friday.

Financial shares led the losses, down 2.8 percent, as concerns over monetary policy tightening pushed investors to take profits. Ping An Insurance Group, the country's second largest insurer, shed 2.93 percent to 45.06 yuan, despite its Thursday report of higher premiums in January.

Industrial Bank Co. closed down 2.38 percent at 34.8 yuan after it said its 2010 target of loans growth in 2010 was down to 22 percent from last year's actual growth of 40.5 percent.

- HK, China stocks up; Li & Fung hits high on US hopes (5<sup>th</sup> March)

\* HK, China up after Beijing reaffirms easy monetary policy

\* Li & Fung at record high on US recovery hope, PetroChina up (Updates to midday)

By Donny Kwok and Claire Zhang

HONG KONG/SHANGHAI, March 5 (Reuters) - Hong Kong shares rose at midday on Friday with exporter Li & Fung ([0494.HK](#)) leading gains on hopes of a recovery in the U.S. economy, while Premier Wen Jiabao reaffirmed China's monetary and fiscal policies which aided a recovery in Chinese banks and lifted China stocks.

Consumer goods exporter Li & Fung, which in January forged a sourcing agreement with Wal-Mart ([WMT.N](#)), surged 4.2 percent on Friday to an all-time high of HK\$40 on hopes that it will benefit from a recovery in the U.S. economy after better-than-expected retail sales which pointed to a stabilisation in the economy.

"There are not many options available in the market for Li & Fung types of businesses. Anticipation that it will benefit from a recovery in the U.S. fuelled demand for the stock," said Alex Wong, a director at Ample Finance Group.

Chinese banks recovered from a sell-off in the previous session, after China reaffirmed its loose monetary policy.

China will stick to an appropriately easy monetary stance and a proactive fiscal policy as it seeks to counter the lingering impact of the international credit crunch, Premier Wen Jiabao said on Friday. [ID:nTOE62308M]

China's second-largest lender China Construction Bank ([0939.HK](#)) was up 0.50 percent at HK\$5.99 by the lunch break.

Top lender ICBC ([1398.HK](#)) ([601398.SS](#)) was up 0.35 percent at HK\$5.77 after rising 1.4 percent in the early session. ICBC said on Friday that it was not facing pressure to raise new capital, even as many of its peers announced fundraising plans to bolster their balance sheets. [ID:nBJB003710]

The benchmark Hang Seng Index [.HSI](#) had trimmed gains and advanced 0.87 percent or 178.52 points to 20,754.30 at midday, poised to snap three straight sessions of losses. The China Enterprises Index [.HSCE](#) of top locally listed mainland Chinese stocks was up 0.72 percent at 11,860.09.

Brokers said investors switching away from disappointed index heavyweights such as China Mobile ([0941.HK](#)) slowed the rise with shares of the China mobile carrier edging down 0.07 percent to HK\$72.80 at midday. The stock fell 2.4 percent on Thursday after news that it was in talks to buy a stake in Shanghai Pudong Development Bank ([600000.SS](#)). [ID:nTOE62207B]

"It's hard to regain investors' confidence in the short run. As a fund manager (point of view), I would delete the stock," Wong said.

Turnover fell to HK\$32.75 billion (\$4.2 billion) against midday Thursday's HK\$34.35 billion.

PetroChina ([0857.HK](#)) rose 2.7 percent to HK\$9.01 after its Chairman Jiang Jiemin said the company expected profit to improve this year compared with 2009. [ID:nTOE624034]

Selling pressure on Hong Kong Exchanges & Clearing (HKEx) ([0388.HK](#)) remained after the world's second-largest exchange operator by market value posted lower-than-expected quarterly earnings. [ID:nTOE620077]. The stocks, which fell 2.03 percent on Thursday, lost a further 0.54 percent by the lunch break.

#### SHANGHAI UP AFTER MONETARY POLICY

China's key stock index edged up 0.07 percent on Friday, with brokerages boosted by news of an imminent start to stock index futures trade, while the index stabilised after Premier Wen Jiabao reaffirmed China's monetary and fiscal policies.

The Shanghai Composite Index [.SSEC](#) ended the morning at 3,025.530 points, regaining its footing after a 2.38 percent fall on Thursday, its biggest one-day fall in five weeks spurred in part by worries over the possibility of more policy tightening.

"We need to continue to implement a proactive fiscal policy and moderately easy monetary policy," Wen said in his government work report delivered on Friday at the annual session of the National People's Congress, China's parliament. [ID:nTOE62308M] [ID:nTOE6230AE]

Losing Shanghai stocks outnumbered gainers by 438 to 421, while turnover dropped to 58 billion yuan (\$8.5 billion) from Thursday morning's 74 billion yuan.

"The tone of Wen's speech is generally in line with expectations," said Chen Huiqin, senior analyst at Huatai Securities in Nanjing.

"Investors should not be optimistic about a strong rebound given lingering worries over more share supplies and liquidity."

The brokerage sector was strong, following news of the imminent start of stock index futures trade and other reforms that will bring new business opportunities.

Haitong Securities ([600837.SS](#)) rose 1.80 percent to 16.97 yuan while Everbright Securities ([601788.SS](#)) advanced 3.69 percent to 27.25 yuan and CITIC Securities ([600030.SS](#)) was up 1.99 percent at 27.16 yuan.

China's top securities regulator said the long-awaited launch of stock index futures trade was likely in mid-April and a planned pilot programme for margin trading and short selling of shares would start before that. [ID:nTOE6230AC]

The index is heading for a 0.9 percent fall for the week, with last week's 1.12 percent gain not seen supported by improvements in fundamentals such as the balance of share supply and demand, with regulators continuing to approve a steady stream of share offerings to the market, traders said.

The market has also been pressured by policy moves to tighten liquidity, including two increases in banks' reserve requirements since the beginning of the year.

They added that the market was expected to remain in a narrow range in the short term but was likely to test a key psychological support level at 3,000 points.

FAW Car ([000800.SZ](#)), a subsidiary of major Chinese automaker FAW Group, jumped 5.53 percent to 23.29 yuan after saying its net profit rose 49.8 percent last year to 1.6 billion yuan.

The property sector was soft, with China Vanke ([000002.SZ](#)), the country's largest listed property developer, falling 0.53 percent to 9.34 yuan after saying its turnover from housing sales in February fell 35.4 percent on year to 2.51 billion yuan.

<http://www.reuters.com/article/idUSTOE62404320100305>

- China signals aimed at easing banking concerns (5<sup>th</sup> March)

Reuters) - China's banks have reined in lending to more sustainable levels, as some that overextended themselves during a 2009 government-backed lending binge raise capital to put themselves back on solid footing, according to major industry players.

### China

The nation's top regulator and executives at two of its four top banks offered comments on Friday aimed at easing concerns that troubles could be looming for China's banking sector, as top officials met for the China's National People's Congress in Beijing.

Liu Mingkang, chairman of the China Banking Regulatory Commission, said the pace of bank lending has stabilized and that banks' loan books are now safe and sound, as a number get set to raise new funds to bolster their balance sheets.

"I don't think there is any problem, and the capital market is very cooperative," said Liu, responding to questions about the flurry of recent fundraising plans.

Liu added that China will introduce additional capital requirements on banks if the economy overheats, in what would become the latest in an ongoing series of measures to rein in lending.

On the eve of China's New Year holiday last month, the People's Bank of China raised banks' required reserve level for the second time this year, sending clear messages to banks that it wants more reasonable bank lending and it is paying close attention to inflation.

Chinese banks made a record 9.6 trillion yuan (\$1.406 trillion) in new loans last year, fuelling concerns that they were sowing the seeds of a new crop of bad debts down the road.

Liu made his comments as the CBRC's Shenzhen branch punished seven banks for making 13.4 million yuan (\$1.96 million) in loans that were misused for stock

investments, and instructed them to immediately recall the credit, according to a report on Thursday in the China Business News.

Jitters about potential woes have weighed on Chinese banking shares this year, with Hong Kong shares of China's top three listed lenders all down 13 percent or more in the last three months, compared with an 8 percent decline for the broader Hang Seng Index [HSI](#).

#### TOP LENDER IN GOOD SHAPE

The nation's biggest lender, ICBC ([1398.HK](#)) ([601398.SS](#)), said on Friday it is not facing pressure to raise new capital, even as many of its peers announce plans for new fundraising to bolster their balance sheets.

Speaking on the sidelines of the NPC opening, Industrial and Commercial Bank of China President Yang Kaisheng said the bank's capital adequacy ratio (CAR) now stands at about 12 percent, versus a government mandated minimum of 11 percent.

"We don't see any pressure recently for fundraising," said Yang, adding ICBC expects to see its non-performing loan (NPL) ratio continue to go down this year.

The CBRC has been pressing lenders to replenish their capital base after last year's lending surge, with several banks now in the process of raising fresh equity or selling bonds.

Bank of China ([3988.HK](#))([601988.SS](#)), China's fourth largest lender, said on Thursday it will issue 24.93 billion yuan in 15-year subordinated bonds next week.

China Merchants Bank ([3968.HK](#))([600036.SS](#)) is launching a \$3.2 billion rights issue, but this week said it should require no more capital raising for at least the next three years after that.

Bank of Communications (BoCom) ([3328.HK](#)) ([601328.SS](#)), China's fifth-largest lender, said last month it also plans to raise as much as 42 billion yuan (\$6.1 billion) via a rights issue in Shanghai and Hong Kong to bolster capital and support expansion.

[http://www.reuters.com/article/idUSTRE6240W320100305?loomia\\_ow=t0:s0:a49:g43:r5:c0.045662:b31347490:z0](http://www.reuters.com/article/idUSTRE6240W320100305?loomia_ow=t0:s0:a49:g43:r5:c0.045662:b31347490:z0)

- U.S. imposes preliminary anti-dumping duties on Chinese carbon bricks (5<sup>th</sup> March)

(Xinhua) -- The U.S. Commerce Department said Thursday that it would slap preliminary anti-dumping duties on imported magnesia carbon brick from China, the latest move that adds tension to the trade relations between the two countries.

In this case, the product, a certain fire-resistant construction material, will face duties of up to 349 percent.

The department said in a statement that it had "preliminarily determined" that Chinese producers and exporters sell the product in the United States at less than fair value.

As a result, "Commerce will instruct U.S. Customs and Border Protection to collect a cash deposit or bond based on these preliminary rates," said the statement.

Some Mexican exporters also face anti-dumping duties in the same case. But their preliminary dumping rate is 54.73 percent.

According to the U.S. government data, from 2006 to 2008, imports of certain carbon bricks from China increased 3.78 percent by volume and were valued at about 50.8 million dollars. Imports of the same product from Mexico increased 7.66 percent by volume and were valued at an estimated 7.7 million dollars in 2008.

The Commerce Department is scheduled to make its final decision in July.

The new case followed the Department's preliminary sanctions on imported Chinese potassium phosphate salts and coated paper on March 2.

Prior to that, the U.S. International Trade Commission (ITC), an independent federal agency, made final decision to impose punitive tariffs on imported Chinese steel pipes for alleged unfair subsidies, a move denounced by the Chinese government as protectionism.

The protectionist moves by the Obama administration will ultimately hurt the U.S.-China trade relations, which are becoming more and more important amid the global financial crisis, economists warned.

- China to keep yuan "basically stable," gov't report (5<sup>th</sup> March)

(Xinhua) -- China will keep the exchange rate of its currency yuan "basically stable" at an "appropriate and balanced" level, according to a government work report to be delivered by Premier Wen Jiabao at the parliament's annual session Friday.

The country will also continue to improve the mechanism for setting the yuan exchange rate, it says.

- China to hold unemployment rate within 4.6% in 2010 (5<sup>th</sup> March)

(Xinhua) -- China plans to keep the urban registered unemployment rate no higher than 4.6 percent and create over 9 million new jobs in urban areas this year, according to a government work report to be delivered by Premier Wen Jiabao here Friday.

China created 11.02 million new jobs in urban areas in 2009 amid the lingering financial crisis, while the country's urban unemployment rate stood at 4.3 percent, with 9.21 million people being registered to be unemployed.

- **FACTBOX: Key figures in government work report by Premier Wen (5<sup>th</sup> March)**

(Xinhua) -- Chinese Premier Wen Jiabao will deliver a report on the work of the government Friday morning at the annual session of the National People's Congress (NPC).

Following are some key figures from the report distributed to media before the opening of the session:

#### **WORK REVIEW IN 2009**

-- China's gross domestic product (GDP) reached 33.5 trillion yuan, up 8.7 percent from a year earlier.

-- Fiscal revenue was 6.85 trillion yuan, up 11.7 percent year on year.

-- Grain production was 531 million tonnes, a new record and increasing for the sixth consecutive year.

-- A total of 11.02 million job opportunities were created for urban residents.

-- The per capita disposable income of urban residents was 17,175 yuan, up 9.8 percent in real terms, while the net per capita income of rural residents was 5,153 yuan, rising 8.5 percent in real terms.

-- The central government's public investment was 924.3 billion yuan, 503.8 billion yuan more than in the previous year's budget.

-- The government invested 654.5 billion yuan to support the post-Wenchuan earthquake recovery and reconstruction work.



- The central government used 725.3 billion yuan to support agriculture, rural areas and farmers, an increase of 21.8 percent.
- A total of 20 billion yuan was provided to support 4,441 technological upgrading projects.
- Last year imports and exports totaled 2.2 trillion U.S. dollars.
- Actual utilized foreign direct investment amounted to 90 billion U.S. dollars for the entire year.
- The central government spent 127.7 billion yuan on medical and health care, an increase of 49.5 percent.

### **MAIN TASKS FOR 2010**

- GDP will grow around 8 percent, while the increase of CPI will be held around 3 percent and the urban registered unemployment rate will be held under 4.6 percent.
- The government will budget a deficit of 1.05 trillion yuan, consisting of 850 billion yuan in central government deficit and 200 billion yuan in local government bonds.
- The government will increase the broad money supply, or M2, by around 17 percent and grant an approximate of 7.5 trillion yuan in new renminbi-denominated loans.
- The central government will allocate 10.6 billion yuan to support the development of small and medium-sized enterprises.
- The central government will allocate 133.5 billion yuan to subsidize agricultural production, 6.04 billion yuan more than the year before.
- The central government plans to allocate 818.3 billion yuan for agriculture, farmers, and rural areas, an increase of 93 billion yuan over last year.
- The central government will allocate 43.3 billion yuan to stimulate employment.
- A total of 63.2 billion yuan will be channeled for low-income housing, an increase of 8.1 billion yuan over last year.

[http://news.xinhuanet.com/english2010/china/2010-03/05/c\\_13197939\\_2.htm](http://news.xinhuanet.com/english2010/china/2010-03/05/c_13197939_2.htm)

- China plans 10.6 bln yuan to support small businesses in 2010 (5<sup>th</sup> March)  
(Xinhua) -- China will allocate 10.6 billion yuan to beef up development of small and medium-sized enterprises (SME) this year, says a government work report delivered by Premier Wen Jiabao at the parliament's annual session Friday.

The government will implement a preferential income tax policy for small enterprises with low profits. Those enterprises will be eligible to receive money from special funds for technological upgrading in the central budget, Wen told deputies to the National People's Congress (NPC).

"We will expand channels for small and medium-sized enterprises to obtain financing, and develop a multilevel system of credit guarantees for these enterprises," Wen said.

China has 4.3 million registered SMEs, which contribute nearly 60 percent of GDP and three quarters of job opportunities.

However, SMEs are often troubled by financing difficulties, as banks are reluctant to lend them out of risk concerns.

- China to "strictly control" new projects this year: Premier (5<sup>th</sup> March)  
(Xinhua) -- Chinese Premier Wen Jiabao said Friday that the government is to strictly control the launching of new projects this year in an effort to curb redundant investment.

Government investments at all levels should be concentrated in the most important areas and be mainly spent to carry on and complete existing projects, Wen said in the government work report he delivered at the annual session of the National People's Congress, the top legislature.

"We will strengthen and improve the supervision of investment... For projects financed through the public treasury, relevant departments need to exercise oversight of the entire course of the project," Wen said.

He also vowed to prevent the construction of "image projects" in the name of boosting domestic demand.

The term "image projects" refer to those built largely for displaying local governments' achievements rather than for use by the ordinary people.

Wen said the government should ensure public investments are spent promoting social and economic development and improving people's livelihood. "That should be able to stand the test of practice and history."

He also said the government would encourage non-government investments by improving and implementing relevant policies.

China put out an economic stimulus package of 4 trillion yuan (587 billion U.S. dollars) to finance projects over two years to 2010 in a combat against the global financial crisis.

The stimulus plan stirs concerns over corruption, as a large part of the money will be spent on infrastructure construction.

- China sets 2010 economic growth rate at 8%, stressing quality of growth (5<sup>th</sup> March)

(Xinhua) -- China expects its economy to grow around 8 percent in 2010 from a year earlier, said Premier Wen Jiabao at the annual parliament session Friday, expecting a "crucial but complicated" year for economic recovery.

Setting the 8-percent target mainly "aims at ensuring the quality of economic growth, focusing on transformation of economic growth pattern and adjustment of economic structure," said Wen in his government work report to the National People's Congress (NPC).

The increase of consumer price index, a main gauge of the country's inflation, will be held around 3 percent, the premier said.

Although the development environment this year may be better than 2009, China "will still face a complicated situation," Wen said.

The year of 2010 will be a "crucial but complicated" year for China's economic development as the country will continue fighting against the global financial crisis while maintaining a stable and comparatively fast economic growth and accelerating transformation of growth pattern, he said.

Observers, however, said they are sure China will hit the growth target.

"I'm sure China will surpass the 8-percent growth target this year as its industry engine is very strong and the country has recovered from the financial crisis," said Lars Backstrom, Ambassador of Finland in China.

The diplomat was echoed by Peter Trebitsch, a reporter from Hungarian News Agency Corporation. "If China sets 8-percent, it will be," he said.

Zhuang Jian, senior economist with the Asia Development Bank, noted that last year China flexed its entire muscle to meet its eight percent target amid the most difficult year



for economic growth, but this year, the goal will be achieved at ease as international and domestic conditions emerge from the worst time.

He also said the new target demonstrates the resolution of the Chinese government to shift its development focus from quantity to quality.

"Growth is not a priority. Even nine percent or ten percent of growth are within reach in the short-term, but that is no longer desirable since China has learnt from the financial crisis that the previous model is not sustainable," Zhuang said.

Peter Trebitsch also noticed China is giving more attention to quality of growth, instead of only focusing on expansion.

The key of economic development pattern transformation, however, lies in implementation of policies in lower level governments, he said.

As the first country emerging from the global economic downturn, China's gross domestic product (GDP) rose 8.7 percent in 2009 from a year earlier, above the 8-percent target the government set at the beginning of last year.

China's quarterly economic growth accelerated as the government's economic stimulus package started to pay off. The national economy rose 6.2 percent in the first quarter last year, 7.9 percent in the second quarter, 9.1 percent in the third and 10.7 percent in the fourth.

"Considering the circumstances that many countries are still suffering considerably, the target of 8 percent growth can leave room for Chinese people to improve their living standards," said Francois Jackman, counselor with Embassy of Barbados in China.

- China budgets 1.05 trln yuan of fiscal deficit for 2010 (5<sup>th</sup> March)

(Xinhua) -- China budgets 1.05 trillion yuan (154.4 billion U.S. dollars) of fiscal deficit this year to support economic growth as government revenue will fall significantly short of expenditures, says a government work report to be delivered by Premier Wen Jiabao at the parliament's annual session Friday.

The government vowed to keep the debt at "appropriate" level. The total deficit consists of 850 billion yuan in central government deficit and 200 billion yuan in local government bonds, which will be included in local government budgets, reads the report, which was distributed to the media before the opening of the Third Session of the 11th National People's Congress (NPC).

The government will continue to implement the policy of structural tax reductions to expand domestic demand and promote economic restructuring.

It will also keep running the package plan for dealing with the global financial crisis, and increase spending to complete work on projects now under construction, improve people's well-being and maintain stability.

According to calculation of the Ministry of Finance, the planned budget will take up about 2.8 percent of the GDP.

China's fiscal deficit hit 950 billion yuan last year, a record high in six years, but still less than 3 percent of GDP.

- China enhances industrial restructuring for balanced growth: premier (5<sup>th</sup> March)

(Xinhua) -- China intensified industrial restructuring in 2009 in an effort to optimize economic structure and lay a sound foundation for long-term development, Premier Wen Jiabao said at the parliament's annual session Friday.

The government encouraged mergers and acquisitions in major sectors and announced stimulus plans for 10 key industries last year, Wen said while delivering the government work report at the Third Session of the 11th National People's Congress, the country's top legislature.

The 10 key industries include auto, steel, shipbuilding, textile, machinery manufacturing, electronics and information, light industry, petrochemicals, non-ferrous metals and logistics.

Twenty billion yuan (2.93 billion U.S. dollars) of special fund was arranged for 4,441 technological transformation programs last year, Wen said. A total of 151.2 billion yuan from the central budget, 30 percent more than 2008, went to back technology progress.

Meanwhile, the premier noted that the government stepped up efforts to eliminate backward production capacity and avoid redundant capacity expansion in 2009. It also pushed forward energy conservation, emission cut and environmental protection.

- China sets inflation target at 3% for 2010, leaves room for resource pricing reform (5<sup>th</sup> March)

(Xinhua) -- China targets a rise of consumer price of around 3 percent this year, Premier Wen Jiabao said when delivering a government work report at the parliament's annual session Friday.

The target takes into account of the carry-over effects of last year's price changes, price fluctuations of major international commodities, hefty increase of domestic money and credit supply, and consumers' ability to bear price increases, Wen told deputies to the National People's Congress (NPC).

The figure compares with a 0.7 percent fall of the Consumer Price Index (CPI) last year as economic slowdown and lackluster demand drove prices down.

"The 3 percent target is mild, which eases inflation fears in the short run," said Zhuang Jian, a senior economist with the Asian Development Bank.

- China to invest massive funds to boost employment: premier (5<sup>th</sup> March)

(Xinhua) -- Chinese government on Friday announced to allocate 43.3 billion yuan (6.34 billion U.S.dollars) to boost employment this year as it opens its annual parliament session.

"We will do everything in our power to increase employment," said Premier Wen Jiabao in his government work report to the Third Session of the 11th National People's Congress (NPC).

China plans to create over 9 million new jobs in urban areas and keep the urban registered unemployment rate no higher than 4.6 percent, Wen said.

The employment situation this year will "still be serious," he said, while calling for relentless efforts to tackle the problems.

College graduates and rural migrant workers are the top two groups of people that will be given the most attention, and the government will offer more policy support and employment guidance with strengthened vocational training and improved employment services system, he said.

China created 11.02 million new jobs in urban areas in 2009 amid the lingering financial crisis, while the country's urban unemployment rate stood at 4.3 percent, with 9.21 million people being registered to be unemployed.

- China ready to end dollar peg (6<sup>TH</sup> March)

The head of China's central bank has given the strongest signal yet that the country will move away from pegging its currency to the dollar, but he said any changes would be gradual.

At the annual session of the legislative National People's Congress in Beijing, Zhou Xiaochuan, governor of the People's Bank of China, said that the days of the "special yuan" policy were numbered. He described the dollar peg as a "temporary" response to the global financial crisis, but gave no timescale for any change in policy. The currency has been pegged at about 6.83 yuan per dollar since July 2008.

Many economists expect China to allow the yuan to appreciate slightly this year, but the cautious tone by Mr Zhou means that any change may not happen for some time. He said that the central bank would maintain the "basic stability" of the currency. So, despite the fact that the Chinese economy grew by 10.7pc in the fourth quarter of last year, the country's loose monetary policy looks set to continue.

"If we are to exit from irregular policies and return to ordinary economic policies, we must be extremely prudent about our choice of timing," Mr Zhou said. "This also includes the [yuan] exchange rate policy."

China's currency policy has been subject of fierce debate, particularly in the US and Europe, with the country's central bank accused of keeping the yuan artificially low to promote a domestic exports boom. An artificially lower currency makes the country's goods and services more competitive, leaving other exporters at a disadvantage. Jim O'Neil, Goldman Sach's chief economist, thinks the Chinese should allow their currency to appreciate by as much as 5pc.

In recent week President Obama has been vocal on the issue of the artificially low currency. "China and its currency policies are impeding the rebalancing [of the global economy] that's necessary," Mr Obama told Bloomberg last month. "My goal over the course of the next year is for China to recognize that it is also in their interest to allow their currency to appreciate because, frankly, they have got a potentially overheating economy."

The relative value of the dollar is important to China, as the country is the world's largest holder of US government debt. According to data form the US Treasury Department, China held \$894.8bn (£591bn) of US Treasury securities at the end of December. Roughly two-thirds of the country's reserves are believed to be in dollars and dollar-denominated assets such as gold.

"The US dollar is still an extremely important currency, playing a key role in international trade, cross-border capital flows, direct investment as well as in determining whether we can smoothly overcome the global financial crisis," Mr Zhou said.

When China eventually abandons the peg, the country will have to manage its exit strategy carefully. If the central bank allows a gradual appreciation of its currency, which would be the best strategy for its exporters, there could be an inflow of funds from speculators betting on further appreciation. However, a one-off revaluation could deal a severe blow to the country's manufacturing sector.

<http://www.telegraph.co.uk/finance/7386391/China-ready-to-end-dollar-peg.html>

- EU court rules to keep tariffs on Chinese shoes (6<sup>th</sup> March)

(Xinhua) -- The General Court of the European Union has ruled to keep anti-dumping tariffs on imported Chinese shoes, local media reported on Friday.

The court, a branch of the Court of Justice of the 27-nation bloc, ruled: "the anti-dumping measures ... remain in force."

In December 2009, five Chinese shoe-making companies asked the court to repeal the tariffs imposed by the European Commission in 2006, arguing that the EU's calculation of the costs of Chinese shoes were inaccurate.

In October 2006, the EU started levying anti-dumping duties of up to 16.5 percent against leather shoes imported from China.

On Dec. 22 2009, the European Commission decided to extend the measures for 15 months.

Last month, China filed a complaint with the World Trade Organization over the extension of anti-dumping duties, triggering the organization's dispute settlement procedure.

- China lays out blueprint as parliament session starts amid concerns over economic recovery (6<sup>th</sup> March)

(Xinhua) - Chinese Premier Wen Jiabao warned Friday the nation still faces "a very complex situation" in the wake of the "most difficult year for economic development" since the new millennium.

Delivering his work report to the National People's Congress (NPC), the parliament, Wen set the economic growth target for 2010 at "about 8 percent."

China's economy expanded 8.7 percent in 2009, staging a faster-than-expected recovery after being hit by the worst global financial crisis in decades thanks to a raft of stimulus measures.

## **ECONOMY**

Putting the economy "on a sound footing," the government needs to guide all sectors to focus on transforming economic growth pattern and restructuring economy, Wen said in the report.

He acknowledged that 2010 is a "crucial year" for continuing to combat the global financial crisis, maintaining "steady and rapid" economic development, and accelerating the transformation of growth pattern.

It is also an important year for achieving all the targets of the 11th Five-Year Plan (2006-2010) and laying a solid foundation for the 12th Five-Year Plan (2011-2015), he said.

"Although this year's development environment may be better than last year's, we still face a very complex situation," Wen told nearly 3,000 NPC deputies at the Great Hall of the People in downtown Beijing.

Other key economic and social targets included creating more than 9 million jobs in cities, keeping urban registered unemployment rate under 4.6 percent and keeping the rise in consumer prices at about 3 percent.

Wen said while the foundation for economic turnaround becomes stronger, he cautioned it should not be interpreted as "fundamental improvement."

Listing key government tasks, Wen said it will continue to implement a proactive fiscal policy and continue to implement the stimulus package which was unveiled in late 2008 that included a 4-trillion yuan (585.5 billion U.S. dollars) two-year investment.

Lawmaker Li Dongsheng from Guangdong Province, chairman of China's largest color TV producer TCL Corporation, said the proactive fiscal policy is in line with the company's current business development and it demands more "implementing techniques."

Li said more flexibility is needed in carrying out the economic policy as China still faces "extremely complicated economic picture," including unclear export prospect.

### **SOCIAL SPENDING**

Wen's report outlined measures to boost spending on employment, low-income housing, education, energy conservation, environmental protection, innovation and social security net.

After six consecutive years of gains in grain output and rural incomes, Wen said "steady rural development should be promoted."

Lawmaker Chen Xuerong, Party chief of Dongjiao Village in Guangdong's Zhanjiang City, said the construction of 20-km new roads in her village boosted the sale of farming products as well as farmers' income.

Chen said the building of each kilometer of the road was subsidized with 150,000 yuan by the government. "The stimulus measures have not only boosted growth but also improved livelihood of commoners."

On the country's army of migrant workers, Wen said their concerns will be addressed to ensure they "receive the same treatment as urbanites."

The government will carry out the reform of household registration system and relax requirements on farmers' settlement in small cities.

While the pressure on employment grows and structural shortage of labor deepens, Wen said the government will "do everything in our power to stimulate employment" and will allocate 43.3 billion yuan in this regard.

He promised to "resolutely reverse a widening income gap" and will not only make the "pie" of social wealth bigger but also well distribute it via "rational income distribution."

Wen vowed to "resolutely curb soaring housing prices" and crack down on such acts as "keeping land unused, property hoarding and price rigging."

### **LOW CARBON ECONOMY**

In the report, Wen said China will build an industrial system and consumption pattern with low carbon emissions.

A draft plan for national economic and social development submitted to the NPC also pledged the country would formulate and implement policies to meet its action targets for

limits on greenhouse gas emissions, which aims 40 to 45 percent reduction in carbon intensity by 2020 from 2005 levels.

Wen said the government will actively develop renewable energy-powered motors and low-carbon technologies such as smart power grids.

The government will also expand the trial of pollution rights trading and reform pricing system for sewage treatment.

### **RECOVERY IMPETUS?**

Wen's promise on economic growth sent Asian shares slightly higher.

Even though Chinese exports dropped 16 percent last year, China still overtook Germany to become the world's largest exporter. Many domestic companies have become beneficiaries of China's latest stimulus measures.

TCL Corporation's Li said his company seized the opportunity of market recovery and regained profits after experiencing overseas business chill, thanks to a raft of measures including adjusting export tax rebates and maintaining stability of yuan's exchange rate.

"Our good momentum has extended to the start of this year. Currently, we have received a great deal of orders. Our products are in short supply, a sharp contrast against the same period last year," he said.

However, Wen warned there is "insufficient internal impetus driving economic growth," with other obstacles such as "weak innovation capability" and "serious overcapacity problems."

Wen said the government will strictly control expenditures and new projects, and prevent "image and vanity projects."

He also vowed to fight corruption, saying officials "must resolutely" implement the central leadership's regulations on reporting the main facts concerning their personal financial situations and property, including their incomes, housing and investments, as well as the jobs of their spouses and children.

Wen also promised to "create conditions for people to criticize and oversee the government."

- China's stimulus package benefits world recovery: minister (6<sup>th</sup> March)

(Xinhua) -- China's stimulus package not only spurred up domestic demand, but also benefited world economic recovery and global policy coordinating, minister of commerce Chen Deming said Saturday.

Chen made the remarks at a press conference held on the sidelines of the annual session of the National People's Congress (NPC), the country's top legislature.

"China's stimulus incentives on domestic consumption and exports abide by the rules of the World Trade Organization and bear no protectionism," Chen told reporters.

He said China always sticks to openness in foreign trade.

"Although China's exports have regained momentum since the beginning of this year, it would take two or three years for exports to return to the level of 2008, as uncertainties would remain in global recovery," he said.

Chen noted the pro-consumption measures implemented last year including subsidies to the auto and home appliance buyers also invited the participation of foreign businesses.

"A couple of days ago, more than 20 business leaders of the Fortune 500 companies told me their business in China outshined their performance in other countries last year," he said.

China's exports slipped 16 percent in 2009 as global recession sapped demands for Chinese goods

- Monetary policy change depends on economic condition, stimulus exit cautious:  
China's central bank governor (6<sup>th</sup> March)

(Xinhua) -- China will adjust its monetary policy in accordance with changes of economic indicators and feedbacks from policy implementation, said central bank governor Zhou Xiaochuan Saturday.

Zhou made the remarks at a press conference on the sidelines of the annual session of the National People's Congress (NPC), the country's top legislature.

China targets a rise of consumer price of around 3 percent this year, according to the government work report delivered by Premier Wen Jiabao Friday.

"It's difficult for us to anticipate all the possible scenarios and changes in indicators. Therefore, our policy will be adjusted according to changes in economic indicators and feedbacks from implementation," said Zhou.

"We are going to continue with a moderately easy monetary policy but at the same time closely follow the inflation issue and changes in other economic indicators," he said, noting that inflation control will be very complicated this year.

China will face the issue of withdrawing its economic stimulus package sooner or later, but "the timing of the exit must be treated with great caution," he said.

The country has shifted its monetary policy from "tight" to "moderately easy", together with a four-trillion-yuan (585 billion U.S. dollars) stimulus package in late 2008 to help the national economy ride out the global slowdown.

A total of 9.6 trillion yuan of new loans was pumped into the nation's economy in 2009, nearly double the 2008 figure of 4.9 trillion yuan.

- China will closely follow U.S. dollar trend: central bank governor (6<sup>th</sup> March)

China will closely monitor the trend of the U.S. dollar against other currencies, the central bank governor Zhou Xiaochuan said at a press conference here Saturday.

- China to see "more trade disputes" this year (6<sup>th</sup> March)

China will face rising trade protectionism this year as a result of an increase in its exports as well as high unemployment rates in the United States and the European Union, the Chinese ambassador to the World Trade Organization (WTO) said.

But China is committed to pushing forward the stalled Doha round of WTO talks, although it seems "highly unlikely" that the global trade negotiations can be completed this year, said Sun Zhenyu, who is also a member of the National Committee of the Chinese People's Political Consultative Conference, the country's top political advisory body.

Last year, various economies launched a total of 118 trade cases against China, affecting Chinese exports worth more than 13 billion U.S. dollars. The U.S. was among the most aggressive, launching 23 cases involving 7.6 billion U.S. dollars worth of Chinese exports.

"China was the scapegoat in most cases and some countries simply blamed China for their own economic problems such as trade deficits," Sun said.

The U.S. also launched anti-dumping and anti-subsidy investigations into imports of drill pipes used for oil wells from China during Spring Festival last month, while the EU launched two anti-dumping cases against China over coated fine paper and melamine earlier this year.

Given the high unemployment rates in major economies, including the U.S. and the EU, Sun predicted there "would not be any improvement" this year and China would "have to face rising trade protectionism".

Buoyed by the economic recovery of the developed nations, China's exports surged by 17.7 percent from a year earlier, ending 13 consecutive months of downturn since November 2008. In January, exports surged by 21 percent.

Many Chinese economists said the nation's exports are set for an annual growth of 15 to 20 percent in 2010, as opposed to a year-on-year drop of 16 percent in 2009.

### **Doha talks**

Sun said the Doha Round of WTO talks will not be concluded this year, partly because Washington is not going to put that high on its agenda.

The U.S. focus will instead be on creating more jobs at home and improving exports, he said.

However, "China expects the Doha talks, with all the effort that WTO members have made, to be brought to an end as soon as possible", Sun said.

The Doha talks entered a deadlock in 2008 as the U.S. and a number of emerging economies grappled over a few critical issues, including special safeguards to protect farmers in poor countries from import growth and sectoral arrangement on industrial goods.

"More than 80 percent of the talks have been finalized according to WTO Director-General Pascal Lamy, but we don't expect the final deal this year given the political hurdles the U.S. has to face at home," Sun said.

(Source: China Daily)

- L'Oreal says sales up 17.7% in China in 2009 (6<sup>th</sup> March)

(Xinhua) -- L'Oreal, the world's largest cosmetics maker, said its sales in the Chinese mainland grew 17.65 percent last year to 8.18 billion yuan (1.2 billion U.S. dollars), a double-digit increase for the ninth straight year in the country.

Sales in China had increased by nearly 14 times between 2001 and 2009, meanwhile the company was gaining more market share, at 11.7 percent in the country last year, up 0.7 percentage points compared to the year before, said L'Oreal China president Paolo Gasparrini Friday in a press conference in Shanghai.

Gasparrini said the company's performance last year in China was better than the average 9-10 percent growth in the cosmetics industry in the country despite the global financial crisis.

He attributed the gain to successful innovations, new product launches and deepening of sales distribution and expansion of new consumer groups by the company.

The company expects L'Oreal customers to increase by 1 more billion in the next five years across the globe with China being an important market.

Earlier the Paris-based L'Oreal Group said its sales worldwide remained flat in 2009 compared to the year before, at 17.473 billion Euros.



- China's easy monetary policy to remain unchanged: official (6<sup>th</sup> March)  
(Xinhua) -- A 17 percent year-on-year increase in China's broad money supply, and a target of 7.5 trillion yuan (1.1 billion U.S. dollars) for this year, indicated a relatively easy monetary policy, said Su Ning, deputy governor of the People's Bank of China, the country's central bank.

Speaking on the sidelines of the ongoing annual session of the top legislature, the National People's Congress (NPC), Su said the 17 percent increase in the nation's broad money supply was larger than the combined increase of targeted GDP and CPI growth, which suggested an "easy" monetary policy.

"If M2 (the broad measure of money supply) growth is 2 to 3 percentage points higher than the combined growth of GDP and CPI, the monetary policy could be seen as easy," said Su.

Chinese Premier Wen Jiabao said Friday, in the government work report submitted to the NPC, that China targeted an approximate 3 percent rise in consumer prices and 8 percent GDP growth this year.

Su further believed the 17 percent increase in the broad money supply would be able to support the ongoing economic recovery throughout the country.

China's financial institutions lent a record 9.6 trillion yuan in new yuan-denominated loans last year, almost double that of the previous year, to spur the economy amid the global downturn, but it was accompanied by soaring property prices and rising expectations of possible inflation.

Su said the 7.5 trillion yuan in new lending this year should speed up completion of projects under construction, rather than support new projects.

- China voices cautious optimism on exports recovery, urges U.S. to loosen hi-tech ban (6<sup>th</sup> March)

(Xinhua) -- Commerce Minister Chen Deming said Saturday China's exports may need two or three years to return to the pre-crisis level, and called for the United States to loosen high-tech exports to China to bridge the trade gap.

"Although China's exports have regained momentum since the beginning of this year, it would take two or three years for exports to return to the level of 2008, as global recovery is still haunted by uncertainties," Chen told a press conference.

He was speaking on the sidelines of the annual session of the National People's Congress (NPC), the country's top legislature.

"Now it is still too early to say exports will score full-year growth this year," he said.

The worst global recession in eight decades dealt a heavy blow on China's exports which fell 16 percent to 1.2 trillion dollars in 2009, while imports dropped 11.2 percent to 1 trillion dollars.

Exports returned to growth in December after 13 consecutive months of decline.

"We should have basic understanding about the reality that the global recovery is still very fragile and unstable," Chen said.

### **U.S. HIGH-TECH BAN**

When asked for comments about some U.S. officials labeling China as a "currency manipulator", Chen said he had not got official information on the issue, but he noted exchange rate did have relations with trade, unless the bilateral trade was completely "open".

However, that was not the case between China and the United States considering the U.S. restrictions on high-tech exports to China, Chen said.

"What is the point of talking about surplus and deficit if bilateral trade is not on the basis of openness and equality?" he asked.

"As a matter of fact, many Chinese importers told me they wanted to buy from America, but were baffled by the U.S. export restrictions," he said.

The U.S. export to China ranges from jumbo jet to farm produce. However, high-tech exports are banned. The U.S. government intensified restrictive measures in 2007, according to Chen.

Chen said the U.S. restrictive measures were not fair for the U.S. exporters, producers and consumers, notably against the background that President Obama pledged to double U.S. exports in five years to sort out unemployment.

### **STABLE YUAN**

China, which replaced Germany as the world's biggest exporter at the end of 2009, is under increasing criticism of devaluating the renminbi to earn artificial price advantages. Premier Wen Jiabao said on Friday that China would keep the exchange rate of the yuan basically stable at an "appropriate and balanced level" in 2010.

Chen said exchange rate was part of a nation's domestic macro-policy, and the issue should not be politicized.

Su Ning, deputy governor of China's central bank, said on Saturday stronger yuan could not address the Sino-U.S. trade imbalance.

Although more than 70 percent of China's trade surplus came from United States, Chen said that was not what China desired.

While China's trade surplus with the United States and European Union remained hefty, China held a deficit of more than 120 billion U.S. dollars with other countries, and the surplus took only 11 percent of its total foreign trade.

Chinese officials have repeated the stance that the nation does not seek to accumulate hefty trade surplus.

Chen said China's import incentives have already paid off, as surplus dropped by one third to 190 billion U.S. dollars last year.

In the first two months of this year, the surplus witnessed another 50 percent drop from the same period a year ago.

In response to a question about China's subsidy on domestic producers to help them earn unfair price advantages, Chen said China's stimulus incentives benefited the world recovery and policy coordinating.

"China's stimulus incentives on domestic consumption and exports abide by the rules of the World Trade Organization and bear no protectionism," Chen told reporters.

China's stimulus package not only spurred up domestic demand, but also benefited world economic recovery and global policy coordinating.

Chen noted the pro-consumption measures implemented last year, including subsidies to the auto and home appliance buyers, also invited the participation of foreign businesses.

"A couple of days ago, more than 20 business leaders of the Fortune 500 companies told me their business in China outshined their performance in other countries last year," he said.

- Taiwan to see more mainland tourists in 2010: tourism authorities (6<sup>th</sup> March)

(Xinhua) -- The number of mainlanders visiting Taiwan is expected to hit 750,000 in 2010, according to the mainland-based Cross-Strait Tourism Exchange Association (CTEA) Friday.

Mainlanders had been keen to visit Taiwan since the start of the year, said a CTEA official, adding a total of 35,000 mainland visitors visited Taiwan during the week-long Lunar New Year holiday alone, which ended on Feb. 19.

The momentum was continuing into March, the official said, without giving further details.

About 606,000 tourists from the Chinese mainland visited the island in 2009, according to CTEA, which estimated spending could reach up to 1.3 billion U.S. dollars on the island.

Mainlanders were allowed to visit Taiwan in tour groups in June 2008 when an agreement was signed by the mainland-based Association for Relations Across the Taiwan Straits (ARATS) and the island's Straits Exchange Foundation (SEF), two organizations authorized to handle cross-strait issues.

The restrictions were further loosened for mainlanders in January 2009 when a joint statement released by the ARATS and SEF reduced the minimum number of a mainland tourist group to Taiwan to five and allowed them to stay for up to 15 days, compared to a maximum of 10 days stated in the 2008's agreement.

The mainland is the second largest source of tourists to Taiwan.

## **Social front**

- Beijing to reform system for migrant workers that has been compared to apartheid (2<sup>nd</sup> March)

China's 130 million migrant workers may soon be out from under the yoke of the country's hukou system, the regime of household registration that has been likened to apartheid.

Identical front page editorials in 13 Chinese newspapers Monday called for reform of the system that robs anyone working away from their place of birth of such basic social benefits as medical care and state-funded education for their children.

"China has suffered from the bitterness of the hukou system for too long!" read the editorial carried in papers from 11 different regions of the country, including the Economic Observer, the Chongqing Times and the outspoken Southern Metropolis Daily. "We believe human beings are born to be free and have the right to move freely!"

The editorial was timed to impress delegates to what are called here the "Two Sessions," which begin Wednesday in Beijing. They are consultative bodies that meet annually to rubber stamp decisions by the ruling Communist party.

For the newspapers to launch such a public appeal in advance of the Two Sessions likely means the government has approved the campaign and is gearing up to do something about the hated hukou system.

Hu Xingdou, professor of economics at the Beijing Institute of Technology, certainly thinks the time is ripe for reform.

"Right now, China has the wherewithal and strength to reform the household registration system," he said in an interview. "Most of all, China has sufficient fiscal strength."

Hu estimated it would take 500 to 600 billion renminbi -- about \$80 billion to \$95 billion -- to make the same level of health care, education, pensions, unemployment benefits and affordable housing available to everyone living in the same geographical area.

The gaping discrepancy between the level of services offered in rural and urban China will probably not be greatly affected by changes to or abolition of the hukou system, but Hu does not think that will prompt legions of farmers to pack up and rush to Shanghai and Beijing.

"The markets will adjust that," he said. "Housing prices are high in big cities, living expenses are high and it is hard to find jobs," Hu explained. "Because of that, some people will even choose to leave the big cities. People will make correct choices with their feet. They will come and go and the market will automatically adjust."

The hukou has its roots in ancient China, but the current system was introduced in 1958 as a method to maintain the urban-rural balance in the labour market and as a means of keeping track of people in a country that likes at all times to be Big Brother.

Hu warned: "The harmony of Chinese society and population depend largely on the reform of the household registration system. For example, in the past year the crime rate rose dramatically for the first time in a decade. It's said that in some areas 90 per cent of the crime was committed by migrant workers.

"That is closely related with the discrimination of the household registration," Hu said.

<http://www.vancouver.sun.com/news/Beijing+reform+system+migrant+workers+that+been+compared+apartheid/2630803/story.html>

- China stresses security, stability as parliamentary, advisory sessions near (2<sup>nd</sup> March)

A senior public security official of China on Tuesday urged relevant departments and local authorities to do a good job in ensuring security and maintaining stability as the annual national parliamentary and advisory sessions approach.

All local authorities and relevant departments should make further efforts to ensure the meetings of the National People's Congress (NPC) and the National Committee of the Chinese People's Political Consultative Conference (CPPCC) go on safely and smoothly, Yang Huanning, administrative vice minister of public security, said at a national teleconference.

"The task of ensuring security and maintaining stability during the two sessions remains onerous" despite previous efforts in this regard, said Yang.

"We should keep clear-minded and never lower our guard," Yang warned.

He urged local officials to do more work in dissolving social conflicts and try to root up troubles that may disturb stability.

The vice minister also ordered to minimize the inconvenience that security measures might cause to people's life and work.

Incidents that might disturb social stability and threaten security should be handled properly and strictly according to the law, Yang warned.

Huang Ming, vice minister of public security, demanded at the same meeting emergencies and breaking events be dealt with promptly and properly.

The annual full session of the CPPCC National Committee, the top advisory body, is slated to open Wednesday afternoon, while that of the NPC, the national legislature, is scheduled to open Friday.

- Regional worker shortage should be addressed by industrial upgrading (3<sup>rd</sup> March)

Local media have recently given intensive coverage to the so-called "migrant worker shortage" problem. Experts may be correct that this is a regional rather than a national phenomenon, the need for industrial upgrading in many of the country's coastal areas is nonetheless a pressing matter.

After the Spring Festival, many factory managers in coastal cities find it difficult to recruit rural migrant workers, in sharp contrast to the end of 2008, when a large number of migrant workers had to temporarily return home as factories lost overseas orders amid the global financial crisis.

The ongoing regional shortage of workers can be attributed to many factors. The recovery of the Chinese economy is one.

However, the fundamental reason is the unbalanced industrial structure. A large number of labor-intensive, export-oriented and low-end manufacturers in coastal cities, once major contributors to China's economic development, have turned out to be unsustainable. Such manufacturers are unable to offer workers a decent pay, as the majority of their exported products remain at the low end of the international market. A few year ago, the then Minister of Commerce Bo Xilai said "we need to export 800 million pieces of shirts to buy a Boeing or Airbus back."

Today, the new generation of migrant workers are better educated and have much higher job expectations, ranging from working conditions to salary and insurance packages.

Another noticeable imbalance in the economy is that while factory managers in coastal areas are struggling to employ low-end blue-collar migrant workers, university graduates equipped to work in offices also have difficulties in finding appropriate jobs.

- In China, a chorus for reforms (3<sup>rd</sup> March) Times of India

BEIJING: More than a dozen Chinese newspapers took a rare stand this week against a Mao Zedong-era system blamed for the wide gap between the country's rich and poor. Within hours, their jointly signed editorial had largely disappeared online.

"China has been tasting the bitterness of the household registration system for a long time!" Monday's editorial began. "Freedom of movement is a human right," it added. It was "signed" with the logos of 13 newspapers.

Household registration, or hukou, essentially identifies each Chinese citizen as urban or rural. It dates back to the time when the Chinese revolutionary Mao wanted to control migration to cities.

The system's limits became increasingly clear in recent years as millions of migrant workers left their rural homes to find work in China's booming cities. Their residence status, however, remains with their hometowns, and not having the proper classification restricts access to government services like education. Changing a hukou can be difficult.

Even children born to migrant workers in the cities are registered back home, keeping them outside the cities' normal education system. Many end up in sometimes makeshift migrant schools that fend for themselves for resources.

Premier Wen Jiabao responded to the rising public opposition to the hukou system during a rare online chat with citizens on Saturday, saying the government would speed up its reform. The editorial noted Wen's comments as a sign of hope.

Speaking with a coordinated voice isn't unusual for China's state-run media, but it is when that voice challenges the central government itself. By Tuesday, several of the editorials, plus links to them, had disappeared from websites, likely falling victim to belated self-censorship.

The editor of the Yunnan Information Paper, Tan Zhiliang, said the editors considered that the national congress starts this week, "assessed the risk" and took it down.

But some reporters were determined not to let the issue fade away. On Tuesday, a reporter for a Hong Kong-based media outlet stood up during a news conference and asked officials if they had seen the editorial.

<http://timesofindia.indiatimes.com/world/china/In-China-a-chorus-for-reforms/articleshow/5634924.cms>

- Xinhua Insight: Calls growing for reform of China's divisive household registration system (4<sup>th</sup> March)

(Xinhua) -- Before coming to Beijing, Li Ren had been moving around China's coastal cities of Dongguan and Xiamen for six years, looking to settle down as an urban resident.

"It's almost an impossible goal," said Li, a 23-year-old migrant worker from Nanyang, central China's Henan Province, scanning job information on the billboards outside a job fair at Hufangqiao in downtown Beijing.

"My chance to become an urban resident has been ruined due to my rural hukou (permanent residence permit)," Li said. "We are just excluded from the urban resident's class."

First issued during the famine of 1958, China's household registration papers, or "hukou" in Chinese, classed the country's population into "rural" and "non-rural" categories and tightly controlled migration between urban and rural areas.

In a highly planned economy, the household registration rules restricted mass migration from the land to the cities to ensure social stability.

The system specifies where each Chinese person should live, normally where they were born. If they move, they lose rights to cheaper education and miss out on job opportunities.

Under the system, rural residents have little access to social welfare in cities and are restricted from receiving public services such as education, medical care, housing and employment, regardless of how long they may have lived or worked in the city.

The system also enables big city residents to have welfare privileges. In Beijing for example, it is easier for the Beijing hukou holders to matriculate from university than people from elsewhere in China. To add to their woes, migrant workers can't buy an affordable home in Beijing where housing prices surged about 50 percent last year.

Li said he himself fell victim of the hukou system, which is under increasing criticism and considered outdated as millions of Chinese have left their rural homes to find work in cities over the past three decades of economic reform and opening-up.

More than half of China's 1.3 billion population are rural household residents, of whom about 150 million migrant workers leave their rural homes to seek jobs in cities every year.

Calls for reform of the hukou system are growing as about 3,000 deputies from across the country convene in Beijing for the third session of the 11th National People's Congress (NPC), or China's top legislature, on Friday.

Dai Zhongchuan, a deputy to the NPC and vice president of the Law School of Huaqiao University, was among those proposing reform.

"After more than 30 years of reform and opening up, now is the time for our country to fine-tune the household registration system that the planned economy depended on," said Dai.

"In the past, supply of social resources was scarce and the hukou regulations helped stabilize society."

During the planned economy era, people who worked outside their authorized domain or geographical area would not qualify for grain rations, employer-provided housing, or health care.

"But the situation is different now, as the hukou system is a barrier to peasants integrating into city life and this is not in line with the country's irresistible trend of urbanization," said Dai.

He said the reform should enable migrant workers' access to basic education, housing and public facilities in cities.

"The migrant workers contribute to our country's urban construction and therefore they should enjoy the same treatment as urban residents," Dai said.

Newspapers across the country have repeatedly urged for an early reform of the household registration system, blaming it for the widening wealth gap in China.

Jiang Xiangmei, an NPC deputy from east China's Jiangxi Province, called for equal rights for migrant workers and an end to discrimination.

"The most urgent need is to solve the hukou problem," she said.

In separate proposals submitted to the National Committee of the Chinese People's Political Consultative Conference (CPPCC, China's top political advisory body), several non-Communist parties, including the Jiu San Society, the China Association for Promoting Democracy, the China Democratic National Construction Association and the China Public Interest Party, all called for reform of the hukou system.

During an online chat with the public before the opening of the top legislature's annual session, Premier Wen Jiabao responded to the rising public opposition to the hukou system and promised reform.

Wen said reform was key to help the country's young rural migrant workers, who lived and worked in cities, to properly join urban society.

Trial reforms are underway in 11 provinces where migrants have been allowed to change their registration to take advantage of welfare and public services.

Beginning this year, northeast China's Jilin Province will gradually abolish the rural hukou and establish a unified household registration system that no longer categorizes the people into rural and non-rural.

To prevent unrest in big cities like Beijing and Shanghai, experts recommend caution in pushing for a new and uniform system given China's diverse levels of development.

"In reforming the hukou system, a slight move in one part may affect the entire situation," said Prof. Zheng Fengtian, deputy dean of the School of Agricultural Economics and Rural Development of Renmin University. "It shouldn't be like a storm. We need to prepare in terms of tax, job creation, social security and other social welfare guarantees."

Though Li, the migrant worker from central Henan Province, knew he would very likely end up with an identity as a transient in big cities, he was reluctant to return to the countryside and plowing fields.

"I've left the land after I graduated from middle school and I didn't master farming skills," Li said. "If I returned to the fields, I would have real problems making a living.

"All I want is to enjoy the same opportunities and social welfare as a urban resident," he said.

- China building world's largest high-speed rail network (4<sup>th</sup> March)

(Xinhua) -- China will expand its high-speed rail network to be the world's largest in coming three years with a total length of 13,000 kilometers, according to Thursday's China Securities Journal.

By the end of 2012, China would have more than 110,000 kilometers of operational railways, including 13,000 kilometers of high-speed rail, said Liu Zhijun, Minister of Railways at a national meeting on rail construction.

China would bring 26,000 kilometers of new railways into operation from 2010 to 2012, including 9,200 kilometers of high-speed rail, Liu said.



Based on the calculation that one kilometer of high-speed rail costs 100 million yuan (14.64 million U.S. dollars), the 9,200 kilometers of high-speed rail would cost more than 900 billion yuan, according to China Securities Journal.

China currently has about 3,300 kilometers of operational high-speed rail, according to the Ministry of Railways (MOR).

Last year, China completed two long distance high-speed railways, one between Wuhan and Guangzhou, and the other between Zhengzhou and Xi'an. Before that, China had built high-speed railways between Beijing and Tianjin, Shijiazhuang and Taiyuan, Qingdao and Jinan, Hefei and Wuhan, and Hefei and Nanjing.

A number of new high-speed railways are under construction, of which the Beijing-Shanghai line has a length of 1,318 km and a designed travel speed of 350 km/h.

- Virtual China deeply engaged as annual legislative session starts (5<sup>th</sup> March)

(Xinhua) -- When China's legislators and political advisors gathered in the Great Hall of the People in central Beijing to discuss key state affairs, another gathering was taking place in a virtual "Great Hall."

An online forum, set up by [www.huanqiu.com](http://www.huanqiu.com), the website of Global Times, an affiliate of the People's Daily newspaper, for the annual legislative session, is named "the Great Hall of the Netizens."

Internet users from across the country come to express opinions on issues from corruption to the reform of public hospitals. Netizens from the same province even set up sub-forums as the real Great Hall has meeting rooms named after provinces.

The biggest issues at the virtual hall are housing prices, the wealth gap, medical reform and education.

"Twilight" put forward a long post suggesting the legislators and political advisors pay attention to the imbalance of education services in rural and urban areas.

"One of the indications of the imbalance is that the salaries of school teachers in remote villages are really low but, in big cities, the pay is very decent," the post said. "The government make this issue a priority."

Also, hundreds of thousands of messages have sprung up on the instant-messaging site of [sina.com.cn](http://sina.com.cn), a major Chinese portal, to comment on hot issues.

- China statistics chief admits errors in property data calculation (5<sup>th</sup> March)

(Xinhua) -- China's statistics chief Friday admitted the method and system of calculating property prices had problems and he promised new measures to correct them.

The pledge came from Ma Jiantang, director of the National Bureau of Statistics (NBS), in a seminar attended by government officials, experts on property market and real estate developers.

The NBS 2009 National Economic and Social Development Statistics Bulletin, issued on Feb. 25, said housing prices in China's 70 major cities rose 1.5 percent in 2009 from 2008 figures.

Since the release, the figure, less than a quarter of the average rise in the previous four years, and the lowest level for nine years, has been widely questioned by the media and public.

"Problems do exist in the calculation method of housing prices," Ma said, while denying allegations that the data were cooked up to please the government and real estate developers.

"We will seriously reflect upon the public criticisms and take effective measures to improve our work," he said, but "there was no selfish motivation in the calculation."

The 1.5 percent figure might not fully reflect price fluctuations from month to month because it was the average level over 12 months, he said.

Due to staff shortages, housing price data mainly stemmed from reports by real estate developers, said Ma, who cited Beijing as an example where only one or two officials were responsible for collecting data from hundreds of real estate companies.

"Under the circumstance, we have to rely on the employees of property companies after giving them short-term training," Ma said. "And some of the employees lack professionalism and a sense of responsibility."

- China reports hefty investment to improve people's livelihood in 2009: premier (5<sup>th</sup> March)

(Xinhua) -- The Chinese government made hefty investment, 44 percent of the total public investment from the central budget, to improve people's livelihood last year, Premier Wen Jiabao said at the parliament's annual session Friday.

"In 2009, the central government's public investment was 924.3 billion yuan (135.3 billion U.S. dollars), 503.8 billion yuan more than in the previous year's budget," Wen said while delivering the government work report at the Third Session of the 11th National People's Congress, the country's top legislature.

"Of this, 44 percent was invested in low-income housing, projects to improve the well-being of rural residents and social programs," he said.

The Chinese government unveiled a 4-trillion yuan economic stimulus plan in November of 2008 to finance programs in 10 major areas over two years to 2010. A total of 1.18 trillion yuan is offered by the central government while the remaining from local governments and private sector.

- China's policy to "put people first" noble idea: U.S. expert (6<sup>th</sup> March)

(Xinhua) -- China's policy to "put people first" in its efforts to build a harmonious society is a noble idea, a U.S. expert on China studies said.

Richard Baum, former director of the Center for Chinese Studies at the University of California, Los Angeles (UCLA), made the comments during a recent interview with Xinhua ahead of the opening of the annual session of China's National People's Congress (NPC).

He said it is a major step forward for China to stress the need to respect human dignity, although more work needs to be done, especially on the local level.

"To put people first, local governments should be brought into account for their behavior," said Baum.

The expert noted that China has been making efforts to reduce the gaps between the rich and poor, between developed and developing areas, between rural and urban areas, between coastal and interior provinces, and between large state enterprises and small private businesses.

Some of the problems have already been solved, he added.

"China has started to put more investment into the interior (provinces), and that's good. It shows the real commitment of China to raise the level of living standard of the general public," said Baum.

The expert said that a decent living standard is necessary to make people lead more fulfilled, dignified lives.

The first thing, Baum said, is to make sure that poverty is eradicated. China has made a lot of efforts in that area, he added.

The expert said China's central government "has done a good job" in defining what people's rights are.

Baum, who had headed the UCLA Center for Chinese Studies for years, has visited China many times and is very active in the research of issues concerning China.

## **Ethnic issues**

- China's Panchen Lama gets high profile (3<sup>rd</sup> March)

Beijing, China (CNN) -- Until recently, he had rarely appeared in public. But now, he has been named to China's top advisory body.

The appointment of the 11th Panchen Lama, the second highest Tibetan spiritual figure, to the Chinese People's Consultative Conference is largely symbolic. But it's politically significant.

When the advisory group's annual conference convened Wednesday, the focus turned to the 19-year-old bespectacled Tibetan monk who appeared among 2,000 politicians, religious leaders, businessmen, academics and celebrities.

The gathering is the government's attempt to showcase China's multi-ethnic national unity. Delegates meet in Beijing every year to discuss government reports, deliberate members' proposals and endorse government policies.

Beijing's critics, however, say that the inclusion of the Panchen Lama at the annual meeting is part of a stepped up effort to undermine the popularity of Tibet's exiled leader, the [Dalai Lama](#).

Born Gyancaïn Norbu, he was handpicked by the Chinese government as the reincarnation of the Panchen Lama and has largely lived in seclusion in Beijing, tutored by Tibetan and Chinese mentors.

He now is being positioned as the representative of [Tibetan Buddhism](#).

Last month, he was elected vice president of the Buddhist Association of China and at its recent conference, he said he "would uphold the leadership of the Communist Party of China, adhere to socialism, safeguard national reunification, strengthen ethnic unity and expand Buddhist exchanges on the basis of adherence to law and love for the nation and Buddhism," the state-run Xinhua news agency reported.

Comments like those further fueled questions of his legitimacy among Tibetans. The Dalai Lama's Web site says the [Chinese](#)-named Panchen Lama is "spurned" by most Tibetans.

The Dalai Lama, sent into exile in India after an aborted rebellion against Chinese rule, says he would like to see greater autonomy for the Tibetan people. But Beijing considers him a separatist.

In 1995, the Dalai Lama anointed another boy of the same age as Norbu, Gedhun Choekyi Nyima, as the latest reincarnation of the Panchen Lama. But he disappeared shortly afterwards.

Suspicious that the boy had been kidnapped were heightened in May 1996 when the Chinese leadership admitted to holding him and his family in "protective custody." Pro-Tibet groups labeled him as the world's youngest political prisoner.

The Panchen Lama is sure to play an important role in the future of Tibetan Buddhism -- primarily because it falls to him to choose the next reincarnation of the Dalai Lama when the incumbent, who is 75, dies.

<http://edition.cnn.com/2010/WORLD/asiapcf/03/03/china.tibet/>

- China's lawmakers call for more government support for ethnic minorities (3<sup>rd</sup> March)

Lawmakers from ethnic minorities in northwestern China's Qinghai Province on Wednesday urged for more favorable policies for the minority groups with small population, or the groups each with a population of less than 100,000.

"I hope the country will provide more support for industries with ethnic features in the the formulation of the 12th Five-Year Plan (2011-2015)," said Han Yongdong, who is also head of Qinghai's Xunhua Salar Autonomous County government.

"We also need more support for education and employment. Those policies would help the small ethnic groups cultivate an independent 'blood-making' capability to sustain their own development," said Han from Salar, one of China's 22 ethnic groups with small population.

Compared with the country's booming coastal regions, regions where ethnic groups with small population live, mostly in central and western inland regions, remain relatively backward.

To accelerate the development of the regions where ethnic groups with small population live, China's State Council passed in 2005 a guideline, promising to build roads, schools and basic medical institutions, and provide them with access to electricity, TV and phone service, and drinking water, in addition to sufficient farms and pastures to live on.

According to statistics from the State Ethnic Affairs Commission, China had invested more than 2.5 billion yuan (about 368 million U.S. dollars) in 8,065 projects aimed to support small ethnic groups between 2005 and November 2009.

But for Qiao Zhengxiao, another deputy to the NPC and Party chief of the Qinghai University, the aid to ethnic minority groups was still not enough.

"The central government mainly focused on Tibet and other regions of ethnic groups with relatively larger population last year and this year," said Qiao, from the Tu ethnic group.

"I hope the government will attach more importance to ethnic groups with smaller population in the future," he said.

He suggested ethnic minority groups each with population less than 300,000 be covered by the favorable policies passed in 2005.

Meanwhile, Han Yongdong also suggested that museums and research projects should be set up to protect the small ethnic groups' culture.

"My own kid cannot speak the Salar language. It would be too late if we don't start soon," he said.

- Chinese leader knocks off Tawang claim (4<sup>th</sup> March)

BEIJING: A senior Chinese leader, Li Zhaoxing inadvertently knocked off the very basis of China's claim over Tawang in Arunachal Pradesh on Thursday. Li, who is spokesman of the Chinese parliament, did that by criticizing the love poems written by the India-born 6th Dalai Lama in the 16th century.

China has been claiming ownership over Tawang on the ground that the 6th Dalai Lama was born there. By showing disrespect towards him, Li has unsettled Beijing's *raison d'être* for laying claim over Tawang and Arunachal Pradesh as a whole.

"There was a man named Tsangyang Gyatso. He was the 6th Dalai Lama. He wrote love poems. One poem he wrote about (telling) lies," he said.

"In one poem, he said some lies are colorful to look at and fragrant if you smell them," Lim a former foreign minister of China told a press conference.

Srikant Kondapalli, professor of Chinese affairs at the Jawaharlal Nehru University believes that Communist leaders usually come up with such cases to show the institution of the Dalai Lama in poor light and destroy the respect the Tibetans have for it.

"There is some truth in the Chinese allegation that the 6th Dalai Lama indulged in the pleasures of this worldly life. But China is using this example to puncture the good image of the Dalai Lama institution," he told TNN.

Kondapalli said the Chinese government did not demand Arunachal Pradesh until 1984 when an official expert wrote an article voicing the claim. The scholar, Jing Hui, said Tawang should be given back to China as it was the birthplace of the 6th Dalai Lama. China has since been using the argument about the birthplace to support its claim.

The 6th Dalai Lama is viewed in Tibet as a rebel monk who has greatly contributed to Tibetan literature. One of his poems reads: 'Sweetheart awaiting me in my bed/ Yielding tenderly her sweet soft body,/ Has she come to cheat me/ And disrobe me of my virtues?'

The official website of the Dalai Lama described the 16th century religious head as

someone who spent “nights in taverns in Lhasa and Shol” and lost his path. “He left his monastic study and chose the outdoor life, he had no plans to take the fully ordained vows,” the website, said. (<http://www.dalailama.com/>). “He was known to be a great poet and writer and he wrote several poems,” it further said.

Several Chinese leaders have condemned the present Dalai Lama saying he was a lair and “a wolf in monk’s robes”. At Thursday’s press conference, Li challenged the Dalai Lama’s statement that he did not work for an independent Tibet.

"Why did the Dalai Lama propose a 'Greater Tibet' and keep the 'government-in-exile' with a so-called constitution while claiming he is not in support of 'Tibet independence'?" Li asked.

He castigated foreign leaders who spent time meeting the Dalai Lama and thus encouraged pro-Tibet forces without realizing that he was more a political figure than a religious one. “Some foreign politicians said the Dalai Lama is a religious figure, but in fact he is a political exile. A very close friend of mine who served an important post in the US government said the Dalai Lama was a political monk," Li said a day before the opening of the National People's Congress session.

<http://timesofindia.indiatimes.com/world/china/Chinese-leader-knocks-off-Tawang-claim/articleshow/5641603.cms>

- Foreign leaders using Tibet to interfere in China's affairs: Li Zhaoxing (4<sup>th</sup> March) Times of India

BEIJING: Voicing its opposition to "certain" foreign leaders' meetings with the Dalai Lama, China warned them against using Tibet-related issues to interfere in the country's internal affairs.

The Chinese people were angry over the meetings between certain foreign leaders and the Tibetan spiritual leader, the Dalai Lama, said Li Zhaoxing, the spokesman for the annual session of China's top legislature.

"Some foreign politicians said the Dalai Lama is a religious figure, but in fact he is a political exile. A very close friend of mine who served in an important post in the US government said the Dalai Lama was a political monk," Li told a press conference, a day before the opening of the National People's Congress (NPC) session.

"Why did the Dalai Lama propose a 'Greater Tibet' and keep the 'government-in-exile' with a so-called Constitution while claiming he is not in support of 'Tibet independence'?" Li was quoted as saying by the official Xinhua news agency.

He said some politicians ignored the fact that Tibet is an inalienable part of China. The region has scored great social and economic progress since democratic reforms in 1959.

"They lacked proper understanding about Tibet's history and present," he was quoted as saying.

Some foreign leaders intended to use Tibet-related issues to interfere in China's internal affairs, Li noted.

Notwithstanding China's strong opposition, US President Barack Obama and Secretary of State Hillary Clinton met the Dalai Lama in Washington on February 18.

<http://timesofindia.indiatimes.com/world/china/Foreign-leaders-using-Tibet-to-interfere-in-Chinas-affairs-Li-Zhaoxing/articleshow/5641009.cms>

- Dalai Lama is 'political monk', says Chinese official (4<sup>th</sup> March) Times of India  
BEIJING: A senior Chinese official Thursday described the Dalai Lama as a "political monk" while criticizing "certain foreign leaders" for meeting the Tibetan spiritual leader.

Xinhua news agency quoted Li Zhaoxing as saying: "Some foreign politicians said the Dalai Lama is a religious figure, but in fact he is a political exile. A very close friend ... who served an important post in the US government said the Dalai Lama was a political monk."

Li is spokesman for the annual session of China's top legislature, the National People's Congress.

Addressing reporters a day before the NPC opens, Li said: "Why did the Dalai Lama propose a 'Greater Tibet' and keep the 'government-in-exile' with a so-called constitution while claiming he is not in support of 'Tibet independence'?"

He asserted that Tibet was "an inalienable part of China" and the region has recorded social and economic progress since the Communists took control of the region in 1959, sending the Dalai Lama fleeing to India.

"They (foreigners) lacked proper understanding about Tibet's history and present," Li said.

Some foreign leaders intended to use the Tibetan issues to interfere in China's internal affairs, he said.

Citing a poem by the sixth Dalai Lama, Li said: "Lies always look flamboyant and smell fragrant, so we must be cautious."

Li's comments came a fortnight after President Barack Obama met the Dalai Lama at the White House, triggering an angry reaction from Beijing which accused the US of "grossly interfering" in the country's internal affairs and "damaging" Sino-US ties.

Brushing off Chinese warnings, Obama met the Dalai Lama to express his "strong support" for human rights and religious freedom in Tibet while encouraging a direct dialogue between the Tibetans and China.

The Dalai Lama has lived since 1959 in India, which is also home to some 100,000

Tibetan exiles. The Dalai Lama's government-in-exile, which is not recognised by any country, is based in the Indian hill town Dharamsala.

<http://timesofindia.indiatimes.com/world/china/Dalai-Lama-is-political-monk-says-Chinese-official/articleshow/5640034.cms>

- Tibetans fear China's hand in Dalai Lama succession (4<sup>th</sup> March)

For Tibetans living near the birthplace of the Dalai Lama, one question is very much on their minds these days -- who will succeed the aging exiled spiritual leader once he dies?

### World

The possibility that scares most of them, and is seen as the most likely to happen, is that the atheist Communist government in Beijing will simply appoint its own replacement, with a veneer of tradition and religion thrown in.

One of the few certainties about the political future of Tibet is that the death of the current Dalai Lama will cause major ructions in Tibet and overseas.

Some Tibetans fear a violent backlash in what is now called the Tibet Autonomous Region and surrounding provinces with large Tibetan populations, like Qinghai, Gansu and Sichuan, if Beijing unilaterally appointed the next Dalai Lama.

There is precedent for that happening.

China chose a rival incarnation to succeed the late 10th Panchen Lama, Tibetan Buddhism's second-holiest position, shortly after the Dalai Lama announced his choice in 1995.

"We think China will try to appoint its own Dalai Lama, as it did with the Panchen Lama," said Jigme, a monk in the Tibetan region of Tongren in the arid northwestern province of Qinghai.

"If that happens, we will protest," he added, punching his fists into the freezing air. "The people will be very unhappy. This is a religious decision. There should be no politics."

The worry of violence is very real.

Anti-Chinese protests erupted in March 2008, in which at least 19 people were killed in riots in Lhasa. Pro-Tibet groups say hundreds died in a subsequent crackdown across the region.

The Beijing-anointed Panchen Lama is spurned by most Tibetans as a fake. The whereabouts of the Dalai Lama-recognized Panchen Lama is one of China's most tightly guarded secrets. China has in the past insisted he is safe, healthy and wants his privacy.

"We will not believe in a Dalai Lama chosen by the government," said another Qinghai Tibetan, who gave his name as Jokhar. "Look what happened when they appointed their own Panchen Lama. We don't believe in that one, and never will."

Born in 1935 into a farming family in Qinghai, known to Tibetans as Amdo, Lhamo Thondup was discovered at the age of two to be the 14th reincarnation of the Dalai Lama. He fled to India in 1959 after a failed uprising against Communist Chinese rule.

### HOLLYWOOD SUPPORTERS

The Dalai Lama, or Ocean of Wisdom, has earned adulation from supporters in the West, including Hollywood celebrities, who see him as one of the world's most enduring symbols of peace after Mahatma Gandhi and Martin Luther King Jr.

China's Communist rulers view him as a political headache and hypocrite with "a human face and the heart of a beast." They say he foments violence and is a separatist. He denies both charges, pointing out that he wants more meaningful autonomy for Tibet.



For China, who becomes the next Dalai Lama is a heavily politicized issue. Beijing appears determined not to cede any kind of authority to a candidate beyond their control. Last year, a top official warned that the central government must approve the Dalai Lama's reincarnation, and would not recognize any candidate that it had not endorsed.

"In terms of what has been flagged by China ... no other option has emerged, no other even vague likelihood has emerged, except for China promoting its own candidate," said Robbie Barnett, a Tibet scholar at Columbia University in New York.

The Dalai Lama's succession has become a prickly issue, as the Nobel Prize winner's health declines, as witnessed by his recent hospital visits for trapped nerves, abdominal discomfort and gallstone surgery.

He has suggested that his incarnation might be found outside of Chinese-controlled territory, or even that Tibetans themselves could order a vote on whether to continue an institution that once gave one monk both spiritual and temporal sway over Tibet.

"There definitely will be two," Khedroob Thondup, a member of the exiled Tibetan parliament, told Reuters when asked how he thought the succession would play out.

"It will depend on who's in power in Beijing. If it's the present regime, they will go out of their way to choose their own," said Khedroob Thondup, a nephew of the Dalai Lama.

Chinese officials have prevaricated when directly asked recently about how the succession could be handled.

"Chinese people have a custom of not asking when an aged person is going to pass away," Zhu Weiqun, a Communist Party vice-minister responsible for co-opting Tibetans and other ethnic minorities, told a news conference last month.

"The Dalai Lama once met Chairman Mao. We hope he lives a long life, and we hope he can resolve the question of his succession while he is still with us," Zhu added.

Yet there is a level of worry in official circles about the potential for instability when the Dalai Lama passes away.

A book on the historical precedent for succession of living Buddhas published last year under the auspices of the Beijing-run Chinese Center for Tibetan Studies warned about this possibility.

"Only if the system used historically is employed during the reincarnation process for a living Buddha can it be completed smoothly, otherwise there will be disturbances and chaos," authors Chen Qingying and Chen Lijian wrote.

#### REPRESENTATION FEARS

If the new Dalai Lama is just a child when chosen, exiled Tibetans could find it harder to have their voice represented on the world stage for years.

"Is the U.S. president going to invite a child round to play?" wondered one Western diplomat.

Still, some people point to a younger generation of Tibetan leaders living in exile as a new hope for their movement once the current Dalai Lama passes away.

"You have young leaders like the Karmapa who are effectively being groomed and taking on more and more responsibility," said Kate Saunders of the International Campaign for Tibet, referring to the Karmapa Lama, Tibetan Buddhism's third most senior figure, who fled into exile in India in 2000.

"There's a group of these individuals both religious and secular who are very capable, very gifted, learning from the Dalai Lama, often present at his teachings. This is something that gives great hope to Tibetans," she added.

[http://www.reuters.com/article/idUSTRE62404020100305?loomia\\_ow=t0:s0:a49:g43:r5:c0.040404:b31361896:z0](http://www.reuters.com/article/idUSTRE62404020100305?loomia_ow=t0:s0:a49:g43:r5:c0.040404:b31361896:z0)

## **Environmental front**

- China's Yellow River Conservancy Commission wins this year's Lee Kuan Yew Water Prize (3<sup>rd</sup> March)

China's Yellow River Conservancy Commission (YRCC) on Wednesday defeated 50 other nominees to win this year's Lee Kuan Yew Water Prize.

The Prize recognizes outstanding contributions towards solving global water problems by either applying technologies or implementing policies and programs which benefit humanity.

Announcing this at a press briefing on Wednesday, the Singapore International Water Week said that the YRCC was awarded the prize for their innovative river management initiatives and policies that have enable China's second longest river to flow unabated over the last 10 years.

The Lee Kuan Yew Water Prize, which was set up in 2008, is named after Singapore's first Prime Minister and present Minister Mentor Lee Kuan Yew, who through his foresight and leadership, has enabled Singapore to attain sustainable water supply. The winner receives 300,000 Singapore dollars (about 214,285 U.S. dollars), an award certificate and a gold medallion.

The YRCC will receive the award at the Singapore International Water Week, which will be held from June 28 to July 2.

- China to build industrial system of low-carbon emissions: premier (5<sup>th</sup> March) (Xinhua) -- China will build an industrial system and consumption pattern with low carbon emissions, Premier Wen Jiabao said in the government work report delivered at the parliament's annual session Friday.

The country will work hard to develop low-carbon technologies as well as new and renewable energy resources to actively respond to climate change, Wen told deputies to the National People's Congress (NPC), adding that the development of smart power grids should be intensified.

Other measures to combat climate change include increasing forest carbon sinks and expanding China's forests by at least 5.92 million hectares in 2010.

He promised that China will participate in international cooperation to address climate change and work for further progress in the global cause.

Wen also addressed energy conservation, environmental protection and the development of a circular economy.

"We will increase our energy-saving capacity by an equivalent of 80 million tons of standard coal," he said.

## **Regional report**

### **North**

#### **Politics**

#### **Social front**

#### **Economic front**

- Tianjin Port in north China reports soaring auto imports (4<sup>th</sup> March)  
(Xinhua) -- China's major auto import customs center in Tianjin Municipality has reported a strong increase in auto imports this year. Customs statistics show January imports to the port hit 24,000 vehicles with a total value of 820 million U.S. dollars. Both figures represented a year-on-year jump of 120 percent. Tianjin's customs handle about half of China's total auto imports. The customs figures indicated 73.4 percent of the imports were from the European Union and Japan. Among the total, 14,000 vehicles were imported by foreign-funded firms in China.

### **Northwest**

#### **Politics**

- Religious leader warns against secessionist activities in China's Xinjiang (6<sup>th</sup> March)  
(Xinhua) -- A Chinese religious leader warned here Saturday against penetration and secessionist activities by hostile forces both in and outside China in the name of religion in Xinjiang that was rocked by a deadly riot eight months ago. Jume Tahir, vice president of the Xinjiang Islamic Association and also a deputy to the National People's Congress, made the remarks while attending the on-going annual session of the the country's top legislature. "I am very clear about Xinjiang's history over the past 100 years, and they (the hostile forces) have never stopped secessionist activities in the region, especially after New China was founded (in 1949)," he said during a panel discussion on Premier Wen Jiabao's government work report. "Xinjiang's development has thus been affected," said Jume Tahir, also Imam of the Id Kah Mosque, the largest of its kind in China, in the border city of Kashgar. He said from the Aug. 4 terrorist attack in Kashgar in 2008 to the July 5 riot in the Xinjiang's regional capital of Urumqi, these incidents did not happen accidentally but had been conspired. The Urumqi riot left 197 people dead and more than 1,700 injured, and the Kashgar attack left 17 policemen dead and 15 others injured outside the gate of the local border police division.

"Some hostile forces in and outside China have made use of religion to carry out penetration, sabotage and secessionist activities in Xinjiang, and they also sowed discord between religious people and non-religious people. So we must keep vigilance," he said. "Only with ethnic solidarity and social stability, can Xinjiang develops more rapidly and become more prosperous," he said.

## **Social front**

### **Economic front**

- China starts building railway into "sea of death" (4<sup>th</sup> March)

(Xinhua) -- China began Wednesday to build a railway over the Lop Nur, a former lake that is known as "the sea of death," in northwestern Xinjiang Uygur Autonomous Region. Construction workers began building a 3-km railway bridge in Nanhu town of Hami City, the starting point of the 370-km railroad, sources with China Railway Group Co. Ltd., the prime contractor, said Thursday.

The railway project was launched by Xinjiang's regional government in June 2009, but civil construction was postponed for eight months to discuss technical details and raise funds, an executive with China Railway Group said on condition of anonymity.

The rail link would have a freight capacity of 33 million tonnes a year, he said.

The 3.28-billion yuan (470 million U.S. dollars) railway is co-sponsored by Ministry of Railways, the regional government of Xinjiang and a branch of the State Development and Investment Corporation (SDIC), a state-owned investment holding giant that has a potassium fertilizer base in the Lop Nur.

The Hami-Lop Nur railway will provide a faster route to transport Lop Nur's rich potassium salt, according to SDIC President Wang Huisheng.

The two places are linked by a highway that opened in 2006.

The railway, on completion in two years, would speed up exploitation of potassium salt, one of China's rarest resources used in fertilizer production, he said.

Lop Nur area has an estimated 500 million tonnes of reserves, valued at more than 500 billion yuan.

Without adequate exploitation of the potassium salt resources, China's total reserve is about 457 million tonnes, less than 3 percent of the world total. The country imports at least 4 million tonnes of potassium fertilizer every year.

At least 11 railways are under construction in Xinjiang. By 2020, the region's total rail mileage will top 10,000 kilometers.

The Lop Nur was the largest lake in northwestern China before it dried up in 1972 as a result of desertification and environmental degradation.

It once nurtured the civilization of Loulan (Kroraina) -- an ancient city that was one of the pivotal stops along the famous Silk Road, but mysteriously disappeared around the Third Century AD.

Due to its geology, geography and historical values, the Lop Nur has attracted the attention of scientists from home and abroad since the mid 19th century.

In 1980, Peng Jiamu, a noted Chinese scientist, went missing on his fourth expedition to the Lop Nur and was never found.

- Wen's speech boosts shareholders' confidence in Xinjiang, Tibet listed companies (5<sup>th</sup> March)

(Xinhua) -- Chinese Premier Wen Jiabao Friday vowed to further promote the economic and social development of Tibet and Xinjiang, a pledge welcomed by investors in the regions' listed companies.

Delivering a government work report to the Third Session of the 11th National People's Congress (NPC), China's top legislature, Wen stressed the government's determination to ensure Xinjiang and Tibet's rapid economic development.

Share prices of Xinjiang's 34 companies listed on Chinese mainland markets rose by 0.24 percent on average, but those of the Tibetan firms dipped on Friday.

"Xinjiang and Tibet stocks are still in a bull market and we are very optimistic about their potential, especially after the government said it would draw up favorable policies for their development on Friday," said Lu Xiaoping, an analyst with Xinjiang-based Hongyuan Securities Company (Hongyuan).

"The stocks are in a short-term adjustment after a recent rapid rise amid a languid market," Lu said. Xinjiang stocks had risen 10 percent over the last two months. Tibetan stocks rose almost 20 percent in the first 18 days of the year.

"The speech shows that our government will carry on with the development of the western regions. It is a great boost to investor confidence in the future of the regions' enterprises," said Cao Wei, who watched Wen's speech on a screen with a crowd of other small investors in Hongyuan.

Wu Dan, also in the crowd, said he earned much from Xinjiang stocks last year and would focus on buying Xinjiang's new energy stocks, which "will certainly rise."

"What I've bought is the prospects of Tibet," said Zhen Mingxin who knew little about stocks, but had bought two Tibetan stocks two years ago.

At the fifth meeting on the work of Tibet, from Jan. 18 to 20, Chinese President Hu Jintao and other senior leaders agreed that China would achieve "leapfrog development" and lasting stability in Tibet.

A meeting on work in Xinjiang, when key policies on the region's economic development will be released, is being planned.

An official with the regional government said anonymously that the central government was mulling "unprecedented" favorable policies to boost Xinjiang's development.

Xinjiang and Tibet enjoy rich natural resources and picturesque scenery. Their listed companies, mostly focusing on mining, energy, tourism and construction, have been performing well and would do better in the future, analysts said.

## **Northeast**

### **Politics**

### **Social front**

### **Economic front**

## **Southwest**

### **Politics**

- Tibetans, Han ignore politics to build uneasy ties

(Reuters) - Tibet's troubled politics may have grabbed headlines for decades, but the relationship between Tibetans and the dominant Han Chinese is far more complex and multifaceted than the bitter public arguments suggest.

The two peoples share a long historical attachment to Buddhism which years of Communist rule has never managed to kill. China's economic boom has also opened previously hard-to-reach Tibetan areas to Han visitors, leading to a mingling of cultures.

Tibetans in at least one area with looser political restrictions than Tibet proper say their beef with the government in Beijing does not extend to all Chinese, and that some controversial policies may even help bring Tibetans together.

All this belies the tense ties between Beijing and exiled Tibetans, and the harsh stance of supporters of both sides which have been in the news after last week's meeting between U.S. President Barack Obama and the Dalai Lama.

The deeply religious Tibetans revere their exiled spiritual leader the Dalai Lama as a living Buddha. Yet so do some Han, despite Beijing's frequent lambasting of him as a separatist who espouses violence, charges he strongly denies.

These Han do not see that as a contradiction, especially those who visit Tongren, a heavily Tibetan region in the arid, mountainous northwestern province of Qinghai, where the Dalai Lama was born in 1935.

"He is the holiest of them all. My heart jumps a beat whenever I see his picture. He is the most important of all the living Buddhas," said Xiao Li, a Han from the wealthy eastern province of Jiangsu and a fervent Buddhist.

"Of course, even living Buddhas make mistakes," she said, when asked about the Dalai Lama's frequent overseas trips, the ones the Chinese government gets so angry about. "We are all human, and it does not change my respect for him."

Some of Tongren's Tibetans are equally able to separate their bitterness about official religious policies, which they feel trample on their freedom to follow their chosen leader and spiritual path, and their feelings about Han Chinese.

"I do not think that the views of the Chinese government necessarily represent those of all the Han race. I don't think that all of them are bad people. Some are very good," said monk Tedan, who like many Tibetans goes only by one name.

Buddhism is an ancient faith in China, dating back more than 1,000 years. The religion was introduced to both China and Tibet from India.

Though there are no hard and fast figures, some Chinese surveys put the number of practicing Buddhists in the country today at around 100 million, including Tibetans, Han, Mongolians and a few other ethnic minorities such as the Dai.

There are perhaps as many Muslims and Christians, though some Christians worship in underground churches not recognized by the state.

#### FASCINATION OF RELIGION

The Communist Party has had an uneasy relationship with religion, despite a constitutional guarantee of freedom of worship. During the chaos of the Cultural Revolution, fanatical Red Guards smashed up temples, churches and mosques.

Those policies have mellowed considerably in recent years, with the Party seeing religion as an important force for social stability, even if it continues to exercise control over the appointment of senior religious figures.

One monk who has faced repeated police questioning for illegally traveling to India to study at a religious college run under the auspices of the Dalai Lama, said he counted many Han from Beijing and Shanghai among his students of Buddhism.

"They are looking for meaning in their lives and find that we as Tibetan Buddhists can give it to them," said the monk, who asked for anonymity because he feared repercussions for discussing a politically sensitive topic with a foreign reporter.

"We help them understand the scriptures," he added, waving a book of the Dalai Lama's teachings printed in the Sanskrit-based Tibetan script.

Qinghai's Tibetans say they are given far more leeway to practice their religion than those living what is formally called the Tibet Autonomous Region. Pictures of the Dalai Lama are openly displayed at major temples in a way unthinkable in Tibet.

At lunar new year celebrations last week, monks at one monastery freely carried out a complex ceremony complete with ornate, embroidered silk costumes that culminated in the unfurling of a giant image of the Buddha on a nearby hillside.

It attracted a small, though fascinated, crowd of Han Chinese tourists, who marveled at the religious devotion shown in a country run by a staunchly atheist Communist Party.

"They have far more complex emotions than we do," said Fan Liqing from the southern province of Guangdong, watching a procession of vermilion-clad monks.

"I think we can learn a lot from our Tibetan compatriots. They must be doing something right," she added.

#### BENEFITS OF CHINA

Signs of official mistrust of Tongren's Tibetans are never far away, even if the security forces have so far this year kept a low profile.

A large army barracks sits on the outskirts of Tongren's county seat, not far from one of the main temples, ready to respond to any trouble, as they did when serious anti-Chinese violence erupted across Tibetan areas in March 2008.

Such obvious reminders of who is really in control naturally sit uncomfortably with Tongren's residents.

Beijing says its rule over the Tibetans has brought development -- from roads and hospitals to schools and economic opportunity -- to an area once racked by poverty, and still far less developed than China's rich coastal regions.

Its critics counter that Han are the main beneficiaries of the government investment, and that change is coming at the cost of traditional culture and language.

But even some of the most proudly Tibetan citizens in Tongren grudgingly admit Beijing's efforts have improved some aspects of everyday life. In some cases they have also helped unite a people fragmented by the harsh terrain.

One man who travels widely in his job as a tour guide and who also asked not to be named, said the promotion of Mandarin in education had actually brought some Tibetans closer.

"We have three different dialects in Tibetan, and they are not easily mutually comprehensible," he said.

"We Tibetans have lived so spread out from each other we knew little of each other's existence, and could not talk even when we did meet. I now speak Chinese to Tibetans who don't understand my dialect, and it's been a real unifier."

[http://www.reuters.com/article/idUSTRE61O01S20100225?loomia\\_ow=t0:s0:a49:g43:r3:c0.081967:b31344564:z0](http://www.reuters.com/article/idUSTRE61O01S20100225?loomia_ow=t0:s0:a49:g43:r3:c0.081967:b31344564:z0)

## **Social front**

### **Economic front**

- Artificial rain brings little to drought-stricken SW China (4<sup>th</sup> March)

Southwest China's Sichuan Province began to make artificial rain to ease the lingering drought, but much more rain was needed to end the drought, local authorities said Thursday.

Dry weather has plagued southwest China for months, leaving at least 15 million people short of drinking water in the worst-hit regions of Guizhou, Yunnan, Sichuan, Guangxi and Chongqing, according to the State Flood Control and Drought Relief Headquarters based in Beijing.

In Yunnan Province alone, the worst drought in six decades had left 6 million people short of drinking water, the local government said Wednesday.

## **South central**

### **Politics**

### **Social front**

### **Economic front**

## **East**

### **Politics**

### **Social front**

- China's changing approach to enforcing laws (6<sup>th</sup> March)

Like his neighbors and friends, Chen Shuangxi (pseudonym) dined with his family on the evening of Lantern Festival and enjoyed the first full moon of the Chinese lunar year.

The man is serving his imprisonment, but not behind the bars.

Chen, living in Jinhua of eastern Zhejiang Province, was sentenced three years in prison with a reprieve of four and a half years in 2006 for his involvement in an illegal pyramid scheme. He has been on the community correction program ever since.

"This festival is a very important occasion for family reunion. I am grateful that I could stay with my family like others," Chen said.

This year, like him, a total of 180,000 convicts spent Lantern Festival, which fell last Sunday, at home rather than in jail, thanks to the community correction program.

China started to trial run the program in 2003 in Beijing and Shanghai, then extended it to 27 provinces.

Having fulfilled their compulsory education and services, offenders on the community correction program can go to work and meet their friends just like ordinary people.

"For some convicts, a more humanistic correction environment can help change their attitude and lifestyle," said licensed psychologist Fang Ting.



Community correction programs have flexible rules. Chen got a half-year deduction from his sentence after he saved a drowning child in August 2009.

The country's efforts to improve out-of-prison correction programs illustrates the principle of "tempering justice with mercy", said Nan Ying, vice president of the Supreme People's Court (SPC).

## **Economic front**

## **HONGKONG AND MACAU**

### **Politics**

- HK to set up promotion council with Taiwan (5<sup>th</sup> March)

(Xinhua) -- The Hong Kong-Taiwan Economic and Cultural Co-operation Promotion Council will soon be established for both sides to discuss collaboration possibilities, said Hong Kong Secretary for Constitutional and Mainland Affairs Stephen Lam on Friday.

Speaking at the Hong Kong International Airport on Friday before departing for Taichung City of Taiwan, Lam told reporters once the body is established, Taiwan will form the Taiwan-Hong Kong Economic and Cultural Co-operation Council.

Lam said that the move will provide a platform for the authorities on both sides to conduct discussions and explore possibilities for co-operation in public policy matters and other spheres which are of mutual concern and interest.

Hong Kong Secretary for Commerce and Economic Development Rita Lau is joining Lam on the trip, which will promote Hong Kong tourism and explore possibilities in Hong Kong-Taichung co-operation.

### **Social front**

### **Economic front**

- Hong Kong stocks close down on mainland loss (4<sup>th</sup> March)

(Xinhua) -- Hong Kong stocks Thursday ended down 301.01 points, or 1.44 percent, weighed by loss on Chinese mainland market which tumbled 2.4 percent.

The benchmark Hang Seng Index opened 0.51 percent higher at 20,983.81. It reached the day-high of 21,000.13 before closing at the day-low of 20,575.78. Turnover totaled 62.68 billion HK dollars, compared with Wednesday's 59.9 billion HK dollars.

The Hang Seng China Enterprises Index dropped 273.19 points, or 2.27 percent, to close at 11,775.06.

Three of the four sub-indices lost. The finance sub-index dropped 1.8 percent, followed by the commerce and industry, losing 1.4 percent, and the properties, edging up 0.70 percent. The utilities sub-index went up 0.38 percent.

Heavyweight HSBC dipped 0.49 percent to close at 81.05 HK dollars. Its local unit Hang Seng Bank edged up 0.09 percent at 108.80 HK dollars. China Mobile down 2.41 percent to 72.85 HK dollars.

Chinese mainland lenders lost. Bank of China plunged 3.47 percent to 3.89 HK dollars. China Construction Bank fell 2.93 percent to 5.96 HK dollars. Bank of Communications dropped 3.5 percent to 8.27 HK dollars. ICBC down 2.54 percent to 5.75 HK dollars.

As for local developers, Cheung Kong, the flagship of Hong Kong 's richest man Li Ka-shing, fell 0.52 percent to 95.70 HK dollars. SHK Properties ended 1.18 percent higher at 109.30 HK dollars. Henderson Land lost 0.47 to 52.85 HK dollars.

PetroChina slightly lost 1.79 percent to 8.77 HK dollars, offshore oil producer CNOOC dropped 0.65 percent to 12.16 HK dollars. Sinopec went down 1.14 percent to 6.09 HK dollars.

Li & Fung added 1.19 percent to 38.40 HK dollars. Ping An retreated 1.07 percent to 60.20 HK dollars. (7.8 HK dollars =1 U.S. dollar)

- China to deepen cooperation between Guangdong, HK, Macao: premier (5<sup>th</sup> March)

(Xinhua) -- Premier Wen Jiabao said in his government work report Friday that China would deepen cooperation between the southern Guangdong Province and the Hong Kong and Macao regions.

The central government would support Hong Kong to consolidate and elevate its position as an international financial hub and foster new areas of economic growth, Wen said at the annual session of the National People's Congress, the top legislature.

Support would also be given to Macao for developing its tourism and leisure industry, he said, reaffirming that the government would unswervingly follow the principle of "one country, two systems," under which the people of Hong Kong and Macao administer their own regions with a high degree of autonomy.

"The great motherland will remain a staunch supporter of Hong Kong and Macao forever," he said.

Hong Kong and Macao returned to the motherland in 1997 and 1999, respectively.

All-around exchanges between the two regions and the inland have fledged since their returns, and the latest moves include the construction of a cross-sea bridge linking the three sides and allowing the University of Macao to build part of its campus on an island of Zhuhai, Guangdong Province.

Wen urged to "vigorously promote" the construction of the bridge and the developing of the island.