

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

### **China**

**Fareeha Sarwar**

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- U.S. Consul General says natural for HK's economic integration with China's mainland (20<sup>th</sup> May)
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- HK ranks 2nd most competitive economy (22<sup>nd</sup> May)

## **SUMMARY OF ARTICLE:**

### **COLLEGE GOES GLOBAL**

College goes global is written by Brody William, president of Johns Hopkins University. This article discusses the role of college campuses in the global marketplace. In June 2006, students of Shengda College in Xinzheng, China, staged one of the most disruptive and violent protests since pro-democracy demonstrators took to Beijing's Tiananmen Square in 1989. Riot police were called in, the campus was locked down, and the college headmaster eventually resigned. This rampage reveals much about the role of higher education in today's global marketplace. Implicit in the incident is the recognition that a college degree is a vital authorization to the globalized knowledge economy of the 21st century. Higher education, once the rarefied area of the elite, is now viewed by most nations as a very important strategic tool for shaping, directing, and promoting economic growth.

The impact of evolution of global higher education market and USA's predominant role in the field is immense, both for USA as well as rest of the world. Article also shed light on relation of train, plane and university as it has become much easier and cheaper to travel so knowledge spreads in no time, and flawed information is quickly exposed. This is the effect of the "IT-IT phenomenon": cheap international travel and ever-present information technology combine to disassociate expertise from place. Talent search has moved to international level and students and faculty are selected from global pool. As geographic boundaries have weakened in higher education, so has, academic disciplines within universities. All of these changes regarding higher education has given a new concept i.e. "Megaversity," a research and education dynamo electronically linking the best faculty and the most capable students in a worldwide academic community. This may lead to the era of electronic "virtual campuses" in different countries and regions. However there are few factors which tell us that it may not be that easy to have global 'U' like there is weight of traditions and important value that comes from matriculating at a prestigious school. As it is important for college students to interact with their age group people as well as faculty members which is not possible through electronic means. The second issue that will ultimately prevent the creation of the Global U is the problem of national boundaries. As concept of nation-state has weakened but it has not vanished. Nations try to draw all the economic benefits possible from the research and education of their respective universities. Another factor in the way of establishment of global 'U' is limitation posed by "money". Virtually every great university today depends on government funding, student tuitions (each of which covers only a portion of the cost of an education), alumni support, and the outstanding generosity of philanthropists to make ends meet. Even so, financing is always a struggle, and the price of a university education in the United States has marched determinedly ahead of the rate of inflation for decades now. To be successful--and even to stay in business--a global university would somehow have to get consistent and dependable financial support from many different nations simultaneously.

Universities, like house are worships are hard to change. However now they are under the effect of globalization like every other aspect of society. Increasingly, there are serious disputes revolving around who should own the rights to the intellectual property generated by faculty, the increasing mobility of professors and researchers, and the responsibilities of universities to their tenured staff.

However hegemony of USA in field of higher education and innovation in science and technology, no longer persists. As there is so much advancement in Asia in science and technology and also the highest rate of students going to postsecondary institutions is in Canada with USA and Japan close behind. Open borders, jet transportation, instantaneous communications, and over one billion English speakers--the same factors that are fundamentally reshaping international commerce and the creation and distribution of wealth have significant impact on higher education market. Universities must prospect for the best brains, skills, and talent. In recent years, it has increasingly become evident that they will have to go far beyond their traditional borders to find those resources.

## **National report**

### **Political front**

- Party magazine to publish vice president's article on improving official writing style (16<sup>th</sup> May)

(Xinhua) -- Qiushi, or "Seeking Truth," the official magazine of the Communist Party of China (CPC) Central Committee will publish an article by Vice President Xi Jinping on improving official writing or speech styles.

The article will appear in the latest issue of Qiushi on Sunday.

At an opening of the CPC Central Committee Party School's spring semester held on Wednesday in Beijing, Xi told more than 900 officials and new student cadres that they must eradicate "empty words" and political jargon from their speeches and documents.

He also urged Party leaders to learn "colloquial wisdom" from the public and make their speeches and articles more easily understood by common people.

- Chinese vice president stresses revolutionary spirit (18<sup>th</sup> May)

(Xinhua) -- Chinese Vice President Xi Jinping has called for greater efforts to promote the revolutionary Yan'an Spirit to strengthen the building of the Communist Party of China (CPC).

Xi made the remarks in a congratulatory letter to a meeting held Tuesday to mark the 20th anniversary of the founding of the China Yan'an Spirit Research Society.

Yan'an, a city in northwest China's Shaanxi Province, served as the CPC-led revolutionary base during the 1930s-40s, before the CPC took power in 1949.

"The Yan'an Spirit is part of Chinese people's excellent traditions and it also embodies the Party's tenet. Promoting the spirit is essential for pushing forward the undertaking of socialism with Chinese characteristics," Xi said.

Xi, also a Standing Committee member of the Political Bureau of the CPC Central Committee, praised the society's theoretical and practical achievements over the past 20 years and their efforts to promote the spirit.

Xi urged the society to make full use of senior comrades while at the same time attracting young people to take part in the research.

- China issues rules to prevent officials meddling in real estate affairs (18<sup>th</sup> May)

(Xinhua) -- China's disciplinary watchdog has released a set of rules outlining punishment for Party members in leading positions meddling in the real estate industry, in an effort to uproot corruption in the field.

The rules, issued by the Central Commission for Discipline Inspection of the Communist Party of China (CPC), say "meddling in construction-related fields" refers to officials abusing their power by directly or indirectly asking departments to affect construction projects' normal procedures.

Such acts include meddling in projects' decision-making process, public bidding and approval of transfer of land use.

The construction sector is susceptible to corruption. Many officials have stepped down after being caught colluding with business owners and real estate developers.



- Senior Chinese leader calls for innovation in combating graft (19<sup>th</sup> May)  
(Xinhua) -- A senior Chinese leader in charge of disciplinary and supervision work said Tuesday efforts should be made to remove Party and government officials' "psychological disequilibrium" to improve their legal awareness in the fight against graft. He Guoqiang, a Standing Committee member of the Political Bureau of the Communist Party of China (CPC) Central Committee, told an anti-corruption forum in Nanjing, capital of east China's Jiangsu Province, the Party should innovate to the fight against corruption.

He said a great number of achievements have been made and experience accumulated to help in the fight against corruption.

He, also head of the Central Commission for Discipline Inspection of the CPC, the Party's internal anti-graft body, said efforts should be made to strengthen supervision and inspection of the implementation of major decisions of the central leadership.

- Taiwan will not engage in arms race with China: President (19<sup>th</sup> May)  
Taiwan's President Ma Ying-jeou said Wednesday the island will not engage in an arms race with China, despite the threat it poses, highlighted by the mainland's efforts to acquire an aircraft carrier.

Taiwan will maintain a "small but elite" force to defend itself while continuing to promote trade ties with China, Ma told a press conference marking the second anniversary of his inauguration.

"We cannot possibly engage in an arms race with China. We won't buy an aircraft carrier just because China is developing one. We have limited national resources, and we have to make the best uses of them," he said.

"We have to maintain a small but elite, small but strong force to defend ourselves, to efficiently deter threats and increase the cost the mainland would have to pay for invading Taiwan."

Ties between Taiwan and the mainland have improved markedly since Ma took office in 2008 vowing to boost trade ties and tourism, with his government keen to concluding a major trade pact with China next month.

Meanwhile, Taiwan will continue to seek to buy F16 fighter jets from the United States to replace its ageing F5 fleet and strengthen its aerial defence, Ma added.

Taiwan's national security chief said late last year that China had started building its first aircraft carrier, a move analysts warned could further tip the military balance between the two sides.

Taiwan's defence ministry has said that China is continuing its military build-up against the island despite warming ties, deploying more than 1,300 ballistic and cruise missiles.

"We do not take China's military threats lightly and we will not change our strategy for an efficient deterrence. But we cannot afford not to improve ties because of the missiles or we risk losing our competitiveness," Ma said.

Ma said he does not ruled out meeting Chinese leaders but stressed that there is no plan and no timetable for such a move.

Beijing still regards Taiwan as part of its territory awaiting to be reunified, by force if necessary, although the island has governed itself since 1949.

<http://timesofindia.indiatimes.com/World/Rest-of-World/Taiwan-will-not-engage-in-arms-race-with-China-President/articleshow/5948329.cms>

- Communist parties of China, Russia say to beef up ties (19<sup>th</sup> May)  
(Xinhua) -- China's and Russia's communist parties on Wednesday pledged to work more closely together to cement the partnership between the two countries.

Chinese Vice President Xi Jinping on Wednesday met with Chairman of the Communist Party of the Russian Federation Gennady Zyuganov at the Great Hall of the People in Beijing.

Calling party-to-party exchanges a crucial part of China-Russia relations, Xi, a member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee, said the CPC hopes to work with the Communist Party of Russia to enhance friendship and cooperation between the two countries.

Zyuganov, who is paying his seventh visit to China, said his party firmly supported the Russia-China strategic partnership of coordination and will step up cooperation with the CPC.

On broader bilateral ties, Xi said China-Russia relations had entered a new era of development, characterized by frequent high-level visits, growing cooperation, various people-to-people exchanges, and close coordination in international and regional affairs.

As important neighbors, Russia and China enjoy common interests as the international situation changes profoundly, Zyuganov said.

Zyuganov underscored his party's commitment to boosting bilateral cooperation in all fields.

Zyuganov will next travel to Nanjing, capital of east China's Jiangsu Province, and then tour the World Expo in Shanghai.

## **Foreign relations**

- Chinese FM refutes Japan's groundless attack on nuclear disarmament issues (16<sup>th</sup> May)

(Xinhua) -- Chinese Foreign Minister Yang Jiechi refuted groundless attack on China's nuclear disarmament issues made by his Japanese counterpart during a two-way meeting held here on Saturday, describing it as "irresponsible remarks", Foreign Ministry spokesman Ma Zhaoxu said on Sunday.

During the meeting, Japan's top diplomat Katsuya Okada claimed that China has not fulfilled its commitment on nuclear disarmament, accusing Beijing of continuously enhancing the nuclear power while the whole world are promoting nuclear disarmament efforts. He said Japan expressed "strong concern" about it, according to Ma.

In response, Yang noted that China remains transparent strategy and policy on the nuclear issue, and China's opinions and efforts on the issue are also well-known to all, Ma said.

Yang said China always advocates that the nuclear weapons should be completely forbidden and totally destroyed, and it also firmly pursues a nuclear strategy of self-defense.

He noted that China is the only country that owns nuclear weapons but adheres to the policy of no-first-use of the nuclear weapons, and promises unconditionally not to use or threat to use nuclear weapons against nuclear-free states or nuclear-free regions.

Yang stressed China never takes part in any nuclear arms races and never deploy any nuclear weapons in other countries.

He said China will maintain its nuclear power on the lowest level that its security needs, which can be seen as the unique contribution made by China to the international nuclear disarmament process. He noted that the Chinese side's position is proper, transparent and unimpeachable.

Yang said he hopes the Japanese Foreign Minister could respect the fact and put the bilateral ties between the two countries and fundamental interests between the two peoples above all.

- Presidents of China, Germany pledge stronger ties, oppose protectionism (17<sup>th</sup> May)

(Xinhua) -- Chinese President Hu Jintao on Monday greeted German President Horst Koehler and proposed stronger bilateral collaboration and joint efforts to tackle global challenges.

Hu gave a red-carpet welcome to Koehler at the Great Hall of the People in Beijing at the start of Koehler's five-day visit to China.

Following an honor guard reception and a 21-gun military salute, Hu and Koehler held hour-long talks covering political affairs, economic cooperation and global challenges.

Koehler paid his first state visit to China in 2007 and attended the Beijing Paralympics in 2008.

"The visit, including your attendance at the Shanghai Expo, reflects the importance you attach to developing ties with China," Hu said.

Together with a big delegation of business executives, Koehler will attend Germany Day at the Shanghai Expo on Wednesday.

"As major countries, China and Germany have wide common interests and both assume important responsibilities. We should work more closely together to benefit the two nations and promote world peace and development," Hu said.

Hu proposed the two countries deepen political trust and ensure steady growth in bilateral ties.

Koehler echoed Hu's proposal, calling for the two countries to properly handle disputes.

On the economic front, Hu and Koehler agreed to tap potential in environmental protection, energy, recycling and to enhance cooperation among small- and medium-sized businesses.

The two presidents also called for more people-to-people exchanges.

- China, NZ pledge further military co-op (17<sup>th</sup> May)

(Xinhua) -- Visiting General Guo Boxiong, vice-chairman of China's Central Military Commission, met Monday here with New Zealand Prime Minister John Key, and both sides pledged further efforts to promote military cooperation.

Although China and New Zealand are far apart geographically, the two countries have been very friendly to each other, Guo said.

Bilateral ties have developed rapidly with frequent high-level visits, enhanced cultural and humanitarian exchanges, and closer economic cooperation, Guo said.

He also hailed the increase of two-way trade volume between China and New Zealand in the wake of the global financial crisis, and said that New Zealand was the first Western country to sign a free trade agreement with China.

In recent years, the two countries have been developing their military-to-military relations in an active manner under the principles of mutual respect, mutual trust, equality and mutual benefit, said Guo, adding that exchanges were also held in such areas as group visits, negotiations and talks, as well as personnel training.

China is willing to work with New Zealand to continue expanding the cooperation scope and enrich the content of cooperation to bring the military ties between the two countries to a new level, Guo said.

The New Zealand prime minister, on his part, also hailed the development of his country's relations with China in all fields.

China's development means a lot to New Zealand; and New Zealand wishes to strengthen cooperation with China to jointly address the security challenges in the Asia-Pacific region and to safeguard regional peace, stability and prosperity, Key said.

New Zealand attaches great importance and commits itself to boosting exchanges and cooperation with China in the area of defense, and is satisfied with the consensus reached by both sides on deepening military relations, Key said.

Guo on the same day also met with New Zealand Defense Minister Wayne Mapp, and both sides agreed to stick to the mechanism of high-level visits and strategic dialogue, and to carry out exchanges in such field as peace-keeping.

Both countries also vowed to cooperate more in arranging naval ship visits, and in humanitarian assistance and disaster relief.

Guo arrived in Wellington on Sunday for an official goodwill visit to New Zealand, the second leg of his three-nation tour which also includes Australia and Indonesia.

- Merkel's July visit "new starting point" for China-Germany economic cooperation: Wen (18<sup>th</sup> May)

(Xinhua) -- Chinese Premier Wen Jiabao said Tuesday he expects the upcoming visit to China by German Chancellor Angela Merkel to be a new starting point in enhanced China-Germany economic cooperation.

Wen made the remarks while meeting with German entrepreneurs and German President Horst Koehler in Beijing.

Merkel will visit China in July, Wen said, adding that he hoped the two countries will cooperate in a tangible way.

Wen met separately with Koehler earlier Tuesday afternoon.

As major manufacturers and trading nations, China and Germany have played active roles in combating the financial crisis, Wen said.

Wen said the world economy is recovering sluggishly.

The sovereign debt crisis in Europe has slowed down the economic recovery, he said, adding that the impact of the crisis is more severe and complicated than people expected. He urged the international community, in particular the major economies, to have a clear understanding of the situation, strengthen confidence, and seek an effective mechanism for global economic governance with joint efforts, so as to actively promote the world economic recovery.

Koehler agreed with Wen's views on the international financial situation, praising what China did to combat the financial crisis.

China has maintained stable and relative rapid economic growth, carried out reforms of its currency exchange rate in conformity with its national conditions, and actively participated in international cooperation, Koehler said, expressing Germany's appreciation for these efforts.

Wen said China and Germany have consensus on many major issues, share a promising future for cooperation in energy, culture, economy and trade, as well as science and technology.

China hopes to work with Germany to continuously enhance mutual trust, diversify cooperation and make more contributions to world harmony and sustainable development, Wen added.

Koehler said Germany would like to boost cooperation with China and strengthen coordination with China on major global issues like the reform of the global governance system.

- China, Russia pledge to enhance strategic partnership (18<sup>th</sup> May)

(Xinhua) -- Chinese Vice President Xi Jinping vowed to make joint efforts with Russia to enhance the Sino-Russian strategic and cooperative partnership Tuesday afternoon.

"The partnership has benefited the two peoples and played a significant role in safeguarding the interests of the two countries. The partnership has also promoted world peace and stability," Xi said.

The partnership is also a cornerstone for international strategic balance and stability, Xi told Boris Gryzlov, chairman of Russia's State Duma and the United Russia Supreme Council.

On trade cooperation, Xi said the two sides should take measures to regulate trade and improve cooperation so as to achieve at an early date the trade volume target of 60 billion to 80 billion US dollars.

Xi expressed hope the two sides will realize enhanced cooperation in their joint border region near China's northeast and Russia's Far East and East Siberian, to speed up cross-border infrastructure construction.

He proposed the two ruling parties establish an institutionalized exchange mechanism.

Gryzlov said China's and Russia's legislative organs have deepened cooperation and played an important role in developing Sino-Russian ties.

The parties' dialogue is a new platform to boost cooperation, and thus Russia-China relations have great potential to develop.

Gryzlov is in China at the invitation of top Chinese legislator Wu Bangguo.

- Spokesman: China concerned about situation in Thailand (18<sup>th</sup> May)  
(Xinhua) -- China is deeply concerned and worried about the security situation in Thailand, Chinese Foreign Ministry Spokesman Ma Zhaoxu said here Tuesday.  
"As a friendly and close neighbor (of Thailand), we hope that all parties act with restraint and make joint efforts to restore social stability as soon as possible," Ma told a routine press conference.

Ma said the Chinese government places great importance on protecting the safety and lawful rights of Chinese citizens in Thailand.

He said the Foreign Ministry has already issued a travel warning on its website. The Chinese embassy in Thailand has also set up an emergency telephone hotline for Chinese citizens to seek help.

The embassy has also alerted Chinese groups and citizens in Thailand and asked them to keep a close watch on developments and to be cautious.

Clashes between Thai anti-government protesters and troops have killed at least 35 people and left more than 270 wounded in Bangkok.

- China hopes tripartite deal will help solve Iran nuclear issue: FM (19<sup>th</sup> May)  
(Xinhua) -- China hopes that the deal Iran struck with Brazil and Turkey will help advance the process of resolving the Iran nuclear issue through dialogue and negotiations, Chinese Foreign Minister Yang Jiechi said Tuesday.

Yang made the comments in telephone conversations with his Turkish and Brazilian counterparts, Ahmet Davutoglu and Celso Amorim.

Yang said that China has always stuck to the "dual-track" strategy in seeking a solution to the Iran nuclear issue and China appreciates the mediation efforts made by Turkey and Brazil.

China attaches importance to and welcomes the agreement the two countries signed with Iran on supplying nuclear fuel for the research reactor in Tehran, he added.

Davutoglu and Amorim briefed Yang on the efforts Turkey and Brazil have made concerning the Iran nuclear issue.

They stressed that the deal the two countries reached with Iran is an important and positive step, which offers a new chance for the international community to peacefully solve the Iran nuclear issue through diplomatic means.

Iran signed an accord with Turkey and Brazil in Tehran on Monday under which it will ship most of its low enriched uranium to Turkey in exchange for the 20-percent uranium fuel needed for its Tehran reactor.

- S.Korea briefs China on ship sinking blamed on North (19<sup>th</sup> May)  
(Reuters) - South Korea has briefed the Chinese ambassador on its findings on the sinking of a navy ship widely believed to be the work of North Korea, an issue that has created tension between the two major Asian trading partners.

South Korea is certain to formally lay the blame on the North when it announces on Thursday the findings by a team of international experts that include investigators from Sweden, Australia and the United States.

China's Ambassador to South Korea Zhang Xinsen has been quoted as saying in local media that there did not appear to be clear evidence the North was the culprit in the March 26 attack off the Korean peninsula's west coast that killed 26 sailors.

Zhang was among a small group of ambassadors who were briefed on the outcome of the probe on Tuesday, before a larger group is invited on Wednesday to receive the information, the foreign ministry said.

It did not provide details on Zhang's response. There was no answer to calls made to the Chinese embassy in Seoul.

On Wednesday, South Korea's Defence Ministry is taking a group of journalists to a navy port to display the wreckage of the 1,200-tonne corvette Cheonan, which snapped in two from what is believed to have been the impact of a torpedo near a disputed sea border on March 26.

Chinese Foreign Minister Yang Jiechi told the foreign ministers of South Korea and Japan at the weekend that any conclusions must be based on scientific and objective evidence, in contrast to a more sympathetic response by Japan's Katsuya Okada who expressed his support for Seoul's efforts to probe the sinking.

South Korea has been recalling its workers staying in the North for the few private commercial projects with the prickly state that remain. But there was no plan order the return of hundreds of South Koreans who work at the Kaesong industrial park just north of the border, where South Korean companies employ cheap North Korean labour to produce kitchenware, apparel and watches, according to the unification ministry

China, the North's only major ally, irritated South Korea earlier this month by hosting the reclusive North Korean leader Kim Jong-il on a rare trip abroad -- before the outcome of the investigation was announced.

U.S. Secretary of State Hillary Clinton will visit Seoul on May 26 in what analysts view as a show of solidarity with the long-time U.S. ally.

<http://in.reuters.com/article/worldNews/idINIndia-48608620100519?pageNumber=2&virtualBrandChannel=11732>

- Taiwan leader says China may dismantle missiles (19<sup>th</sup> May)

[China](#) could feel compelled to dismantle the more than 1,000 missiles it has pointed at Taiwan as relations between the rivals improve, the island's president said Wednesday.

Ma Ying-jeou said the easing of tensions across the 100-mile-(160 kilometer-) wide Taiwan Strait makes it increasingly difficult for Beijing to justify its missile posture, particularly with thousands of mainland Chinese tourists arriving in Taiwan every day.

Ma spoke at the midpoint of his four-year term, which has been characterized by a rapid expansion of trade and business ties with China, and a growing belief that an eventual peace treaty could be on the agenda if Ma's Nationalist Party retains the presidency in 2012.

"As we try to reduce tensions and improve relations, the closer ties between the two sides will foster peace and prosperity," Ma said in Taipei. "This does not accord with the mainland having more than 1,000 missiles pointing at us. The mainlanders could feel this way, and our allies, including the U.S. and [Japan](#), could feel this way too."

China and Taiwan split amid civil war in 1949. Beijing still claims the island as a part of its own territory, to be regained by persuasion if possible, by force if necessary.

China's deployment of missiles at Taiwan has long been a sore point on the island, and Ma has said repeatedly that without their removal real political progress between the sides will not be possible.

Some analysts believe that China might be willing to move at least some of the missiles as a way of supporting Ma in the immediate run-up to his prospective re-election campaign in 2012, particularly if the pro-independence opposition appears to be threatening his grip on power.

During Ma's two years in office, Taiwan and the mainland have launched regular direct air service, and relaxed controls on bilateral trade and investment. A landmark deal on trade is expected to be signed next month.

Looking ahead, Ma said that a formal peace agreement with Beijing remains a possibility, though he declined to speculate on a timetable for it.

"We have only opened up relations for two years, and have yet to finish much of the tree-planting work," he said.

<http://www.washingtonpost.com/wp-dyn/content/article/2010/05/19/AR2010051900411.html>

- Evidence Shows North Korea Used Chinese-Made Torpedo In Attack On S.Korean Ship (19<sup>th</sup> May)

Foreign experts and investigators concluded that North Korea attacked a South Korean naval ship in March this year, with a Chinese-made torpedo following the discovery of the said torpedo fragments collected from the scene, senior government sources said Wednesday.

The suspected weapon appears to be a heavy acoustic homing torpedo, known as a Yu-3G, the same type that North Korea imported from the neighbouring nation in the 1980s and one of a series of torpedoes North Korea has deployed, including the ET-80A, TYPE 53-59 and TYPE 53-56, Yonhap news agency cited the sources as saying.

"The fragments collected from the scene where the 1,200 tonne patrol ship Cheonan has Chinese and Russian languages written inside. Investigators too found traces of explosive in the wreckage was identical in composition to propellant explosive contained in astray North Korean torpedo that South Korea recovered from the southern coast seven years ago".

South Korea plans to officially announce the investigation's outcome on Thursday, which is expected to include the result of a computer simulation that such a torpedo with a warhead weighing about 250 kilograms struck the Cheonan.

On March 26, the 1,200-tonne patrol ship broke in half and sank, killing 46 sailors.

Foreign experts from the United States, Britain and Australia working as part of an international team looking into the sinking have also agreed to the assessment that a torpedo attack sank the Cheonan, officials said.

It has been no secret that South Korean officials believe the North Korea is responsible



for the disaster that though they have refrained from openly blaming the North until the completion of the investigation.

After an initial examination of the Cheonan's wreckage, investigators had said the vessel was most likely struck by an underwater "non-contact" explosion, possibly from a torpedo or a sea mine.

On Wednesday, Foreign Minister Yu Myung-hwan said the the probe indicates the ship sank due to "a strong underwater explosion generated by the detonation of a torpedo, and called North Korea's involvement as obvious.

However, North Korea has denied any involvement.

Following this allegations, South Korea has been trying to drum up international support for its plan to take the case to the U.N. Security Council to punish the North if the regime is found responsible.

The foreign ministry will brief diplomats from about 30 nations on the investigation's outcome.

As part of those efforts, South Korean officials already explained the cause of the sinking to Chinese, Russian and Japanese diplomats stationed in Seoul in separate sessions on Tuesday, a foreign ministry official said on condition of anonymity.

The three nations are members of the six-nation talks aimed at ending North Korea's nuclear programs, which include the two Koreas, China, Japan, Russia and the United States. The talks have been stalled since late 2008 due to a North Korean boycott.

China and Russia are considered keys in South Korea's efforts to punish the North, as both are permanent members of the U.N. Security Council with veto powers. Beijing is Pyongyang's last-remaining major ally and the main provider of aid, which has supported the North's ailing economy.

<http://www.bernama.com/bernama/v5/newsworld.php?id=499518>

- China to strive for positive results from Sino-U.S. strategic, economic dialogue (20<sup>th</sup> May)

(Xinhua) -- China will work with the United States for positive results from the second round of China-U.S. strategic and economic dialogue, said Chinese Vice Foreign Minister Cui Tiankai Thursday at a news briefing.

Chinese President Hu Jintao's special representatives, Vice Premier Wang Qishan and State Councilor Dai Bingguo, will co-chair the meeting on May 24 and 25 with U.S. President Barack Obama's special representatives, Secretary of State Hillary Clinton and Treasury Secretary Timothy Geithner.

About 50 representatives from more than 40 departments of both countries will participate in the dialogue, Cui told the briefing.

Cui said that in the strategic track dialogue, the two sides would discuss energy security, climate change, UN peace-keeping and anti-terrorism issues.

China hoped that through the dialogue, China and the U.S. would enhance mutual understanding, strengthen strategic mutual trust as well as coordination and cooperation in the bilateral, regional and global dimensions, so as to promote the development of positive, cooperative and comprehensive China-U.S. relations, he said.

China and the U.S. would send a number of minister-level officials to attend talks on the economy, said Assistant Finance Minister Zhu Guangyao at the briefing.

He said the economic dialogue, a strategic meeting held against the unstable global economic situation, especially the challenges posed by the European sovereign debt crises, was of great significance to the sustainable and healthy development of China-U.S. economic relations.

The economic dialogue, with the theme of ensuring a sustainably developing, mutually beneficial economic partnership of cooperation, would focus on four issues, Zhu said.

The first was promotion of a strong recovery of the global economy and a more sustainable and balanced economic growth, which included assessing the international developments, especially the impact of the European sovereign debt crises, the adoption of a sustainable fiscal policy, inflation and accelerating structural adjustment, he said.

The second was mutually beneficial trade and investment through construction of an open investment environment, free trade and opposing trade protectionism, Zhu said.

The third was stability and reform of financial markets. The two sides would exchange views on the progress of financial regulation reform and enhancing bilateral and multilateral coordination in the financial sector.

Fourth was reform of the international financial system. The two sides would assess the progress since the Group of 20 (G20) Pittsburgh Summit and discuss deepening bilateral cooperation on the reform of international financial institutions, which included changes to the IMF quota for emerging markets and developing countries.

Zhu said, that under the leadership of Chinese Vice Premier Wang Qishan and U.S. Treasury Secretary Timothy Geithner, both sides had fully prepared for the economic dialogue.

He believed the dialogue would further enhance mutual trust on the bilateral strategic economy, and promote appropriate resolutions of contradictions and differences.

The first round of China-U.S. strategic and economic dialogue was held in Washington in July 2009.

- Chinese FM urges closer co-op with Britain (20<sup>th</sup> May)

(Xinhua) -- Foreign Minister Yang Jiechi on Thursday held a pre-arranged telephone conversation with his new British counterpart William Hague, and expressed hope for closer bilateral coordination and cooperation.

While extending his congratulations to Hague once again, Yang stressed that it is of particular significance that China and Britain, as two permanent members of the U.N. Security Council, strengthen coordination on international politics, security, economy and other important issues.

China is ready to join hands with Britain to give fresh impetus to the comprehensive strategic China-Britain partnership for further and larger achievements, said Yang, who is currently in Ukraine for an official visit.

For his part, the British foreign secretary said that his country is willing to establish strong ties with China and stands ready to boost bilateral cooperation and mutual understanding.

He added that Britain expects to strengthen bilateral exchange and collaboration in various fields and enhance communication and coordination with China on international affairs, including those concerning the Group of 20 and the United Nations.

- Israel, China pledge to strengthen technology co-op (20<sup>th</sup> May)

(Xinhua) -- Israeli President Shimon Peres met with visiting Chinese Science and Technology Minister Wan Gang on Thursday, and they vowed to enhance bilateral cooperation in science, technology and innovation.

Sino-Israeli relations have reached remarkable achievements in recent years, Wan said, stressing the technology cooperation between the two countries.

After discussing the way to further advance the friendly bilateral relationship, Peres and Wan agree to combine the two nations' efforts in broadening and strengthening cooperation in fields like science and innovation.

Later in the day, Wan and Israeli Industry, Trade and Labor Minister Benjamin Ben Eliezer signed an agreement, setting up a cooperative mechanism to promote market-oriented research and development of Chinese and Israeli enterprises, so as to boost their capability and competitiveness.

During his visit in Israel, Wan also held talks with Israeli Science Minister Daniel Hershkowitz and Environment Minister Gilad Erdan, and visited a number of high-tech companies and agricultural projects.

- Indian president to visit China (20<sup>th</sup> May)

(Xinhua) -- Indian President Pratibha Patil is to pay a state visit to China from May 26 to 31, at the invitation of Chinese President Hu Jintao.

Chinese Foreign Ministry spokesman Ma Zhaoxu made the announcement here on Thursday.

Ma told a regular news briefing Thursday that Patil's visit is the first one by the head of state of India to China in recent ten years.

During Patil's visit, Chinese President Hu Jintao, Chairman of China's National People's Congress Standing Committee Wu Bangguo, Premier Wen Jiabao, and Jia Qinglin, chairman of the National Committee of the Chinese People's Political Consultative Conference will hold talks or meet with her respectively, Ma said.

Besides Beijing, Patil will visit the pavilions of the Shanghai World Expo and go to Luoyang of central China's Henan Province, where she will attend the inauguration ceremony of the White Horse Temple, a famous temple of the Indian style in China, Ma added.

- Chinese Vice President urges Chinese, U.S. business circles to bolster trade, economic ties (21<sup>st</sup> May)

(Xinhua) -- Chinese Vice President Xi Jinping on Friday asked Chinese and U.S. business communities to further trade and economic ties, ahead of next week's high-level Sino-U.S. dialogue on political and economic issues.

Xi spoke highly of the U.S. businesses' contributions to Sino-U.S. relations during his 50-minute meeting with Thomas J. Donohue, chairman of the U.S. Chamber of Commerce, in the Great Hall of the People in Beijing.

"The development of Sino-U.S. relations, the consolidating of the foundation for cooperation, and the expansion of common interests have brought tangible benefits to the two peoples over the 31-year history of diplomatic relations," Xi said.

The second round of the China-U.S. Strategic and Economic Dialogue, co-chaired by senior economic and diplomatic officials from the two countries, will be held in Beijing on Monday and Tuesday.

Topics to be discussed at the dialogue include bilateral political, trade and economic issues, as well as reform of the global financial system and other regional and international affairs.

"China and the United States should constantly strengthen dialogue, coordination and cooperation, and properly handle sensitive issues, to promote the long-lasting, sound and steady development of Sino-U.S. relations, which will benefit the two peoples and the world," Xi said.

Xi said he welcomes Americans to visit the World Expo in China's economic hub Shanghai, saying the expo is a platform to promote mutual understanding among the world people.

Donohue, who will also visit the Shanghai Expo, said boosting economic and trade cooperation is in the best interests of both the U.S. and China, and help promote the stability of the world financial situation, he added.

The U.S. Chamber of Commerce is the country's largest business federation. More than 96 percent of its members are small enterprises.

- China, Canada pledge closer cooperation in public service administration (21<sup>st</sup> May)

(Xinhua) -- A senior Chinese official said here Friday that China is ready to enhance Sino-Canadian cooperation in the administration of senior civil servants.

Li Yuanchao, head of the Organization Department of the Central Committee of the Communist Party of China(CPC), made the remarks when meeting with visiting President of the Canadian Public Service Commission Maria Barrados.

Li, also a member of the Political Bureau of the CPC Central Committee and the Secretariat of the CPC Central Committee, said China and Canada had vast potential for bilateral cooperation, as the two sides enjoyed broad common interests.

Echoing Li's views, Barrados said Canada was willing to deepen cooperation in human resource management.

The Organization Department of the CPC Central Committee and the Canadian Public Service Commission signed a memorandum of understanding in 2007 to establish a regular exchange mechanism between public servants of the two countries.

- China hopes for calmness, restraint over ROK warship sinking (21<sup>st</sup> May)

(Xinhua)-- China on Thursday says it has noted the investigation results released by the Republic of Korea (ROK) over the sinking of a ROK warship, calling on all parties to exercise calmness and restraint over relevant issues of the sinking.

Foreign Ministry spokesman Ma Zhaoxu made the remarks at a regular press briefing when responding to questions.

He said China upheld that all parties should exercise calmness and restraint, properly deal with relevant issues, and avoid escalation of the situation.

After the sinking of the ship, China expressed condolences and sympathy to the ROK on many occasions for their casualties, which fully embodied China's understanding of the grief of the ROK government and people.

Ma said China has always viewed and dealt with international and regional affairs in a fair and objective manner.

China is always devoted to safeguarding regional peace and stability, and promoting the progress of the six-party talks on the denuclearization of the Korean Peninsula, he said, adding China was opposed to any activities which could run counter with the commitment.

The 1,200-ton "Cheonan," with 104 crew members onboard, went down on March 26 near the South Korean island of Baekryeongdo off the west coast after an unexplained explosion, killing 46 crew members.

- U.S., China need stability in international order: British expert (21<sup>st</sup> May)  
(Xinhua) -- The relationship between the U.S. and China could be called "cautious interdependence," with each side realizing that "if either side ever took aggressive action against the other, it would seriously undermine their own economic position," a British expert said.

Shaun Breslin, Professor of Politics and International Studies from Warwick University, made the comments in an interview with Xinhua ahead of the second round of the China-U.S. Strategic and Economic Dialogue, which will be held in Beijing Monday.

"Behind the rhetoric of tension, both sides realized how each needed the other and they both needed stability in the international order," Breslin said.

He also said the "interdependence" was conditioned by domestic politics which often raised tensions, fear and mistrust.

Kerry Brown, senior fellow of the Asia Program at Chatham House, told Xinhua that, despite the tensions: "I think the core fundamentals of the relationship remain good."

"There were difficulties over the last few months, as the current U.S. Ambassador to China admitted in a talk this month," Brown said.

"But in view of the huge economic and environmental issues that both sides have had to discuss, things are looking good now, and have certainly improved since President Hu Jintao went to the Nuclear Security Summit in Washington in April," Brown said.

Breslin also talked about the trade imbalance between the two countries, saying Western companies were also making profits from Chinese exports, and Western consumers could buy cheap goods because of the movement of production to China.

"The West had a good decade of cheap goods and low inflation partly because of the growth of Chinese exports," he said.

The second round of the China-U.S. strategic and economic dialogue is expected to bring together U.S. Secretary of State Hillary Clinton, Treasury Secretary Timothy Geithner, Chinese Vice Premier Wang Qishan and State Councilor Dai Bingguo.

Chinese Vice Foreign Minister Cui Tiankai told reporters Thursday China would work with the United States for positive results from this round of dialogue.

- Chinese president pledges closer ties with Sweden (21<sup>st</sup> May)

(Xinhua) -- Chinese President Hu Jintao said Friday China would work closely with Sweden to lift bilateral ties to a new level.

While meeting with Swedish King Carl XVI Gustaf in Beijing, Hu said China highly values relations with Sweden and will further promote cooperation between the two countries in the spirit of mutual respect and benefit.

"China and Sweden have no conflict of fundamental interests despite different national conditions, and good bilateral ties have brought tangible benefits to both peoples," said Hu.

Hu also highlighted the smooth development of bilateral ties since the two countries established diplomatic relations 60 years ago.

Sweden was the first western country to forge diplomatic ties with New China.

The Swedish King, who arrived in Beijing Thursday for a five-day visit to China, recalled the friendly exchanges between Sweden and China over the past 60 years, saying Hu's 2007 visit to Sweden had boosted bilateral cooperation.

An innovation forum, jointly held by the two countries, will have a positive influence on cooperation in new fields between the two countries, said the Swedish King.

Chinese Vice Premier Li Keqiang expressed hope the two nations would increase innovation cooperation while addressing the forum.

China's innovation business has made certain achievements while Sweden is one of the world's most innovative and inventive nations, Li said.

"China-Sweden innovation cooperation features complementarity and mutual benefit, and has broad potential for development," he said.

He said innovation is related to the two countries' economic and trade development and the growth of bilateral ties.

The vice premier proposed the two nations expand innovation cooperation in the fields of energy saving, environmental protection and economic restructuring.

"This will help promote China-Sweden relations and benefit both peoples," he noted.

Li also said the current international financial crisis is yet to subside, and a full recovery in the world economy will be slow and complex.

In the face of this situation, Li urged the international community to rely on innovation development and technological progress to play a leading role in economic growth.

Li met with the Swedish King before the forum, applauding the latter's contribution to the development of China-Sweden ties.

Apart from his meeting with Hu and Chinese Vice Premier Li Keqiang in Beijing, the Swedish King will attend the national pavilion day of Sweden at the Shanghai World Expo.

- U.S., China should "stand together regardless of situation": Geithner (22<sup>nd</sup> May)

(Xinhua) -- China and the United States still needed "Feng Yu Tong Zhou" -- the Chinese idiom meaning "to stand together regardless of situation", U.S. Treasury Secretary Timothy Geithner said Friday.

Geithner first used the phrase at the first round of U.S.-China Strategic and Economic Dialogue (S&ED) held here last July. He told Xinhua in an exclusive interview before his visit to Beijing for the second round on May 24-25 that it still held true in the face of the

ups and downs in the bilateral relationship over the past year and the changing global situation.

Geithner and Secretary of State Hillary Clinton will lead a group of 16 heads of U.S. government agencies to meet their Chinese counterparts for the annual bilateral talks.

"The relationship with China is very strong on all fronts," Geithner said. "I think that both countries have played enormously important roles in trying to lift the global economy away from financial crisis."

During the Beijing talks, the Obama administration's economic leaders will exchange views with their Chinese counterparts on four key areas, including promotion of trade and investment cooperation, strong recovery and more balanced growth, a resilient financial system, and strengthening of the international financial and economic architecture.

Geithner said there had been dramatic transformation in both economies, which contributed to a more balanced global recovery. He said China's domestic demand growth was encouraging and the country's current account trade surplus had fallen substantially.

On the U.S. side, he said the U.S. economy had been growing for almost a year. The recovery had been led by investment and exports, but not consumption. The country was also saving more.

"China and the United States are doing what we need to do to help contribute to a broader global economic recovery," Geithner said.

He said the S&ED was an enormously important mechanism because it provided the two countries the chance to build a much closer cooperative relationship on economic and financial issues at a time of great challenges globally.

As for the world economic situation, Geithner is relatively optimistic.

He did not agree with the current opinion that the sovereign debt crisis had become the biggest threat to the world economy.

"You see some of the challenges in Europe now. But I think we are in a much stronger position to manage those challenges," he said.

He said the global economy was in a much stronger place today and a much stronger position to withstand the pressure coming from Europe.

He noted the U.S. dollar had been rising because there was quite a lot of confidence in the U.S. economy around the world.

He told Xinhua the Obama administration was going to tackle its deficit issue seriously. The deficit is a major concern for China, which is the biggest holder of U.S. government assets.

On financial regulatory reform, Geithner said "the financial crisis caused enormous damage, so we have moved very quickly, more quickly than the other major economies, to put in place very strong fundamental sweeping reforms of our financial system, to help make sure that the U.S. is a source of growth and stability, not a source of instability of the global financial system."

- U.S. to raise IPR issues with China (22<sup>nd</sup> May)

"The U.S. should abandon its cold-war mentality and loosen its export policies, instead of solely pressuring China," he said.

"Innovation is a necessary path of development for all countries and the U.S. has huge technological advantages. To really benefit all, it should examine itself and be more open," Jiang said.

Next week, Kirk will head to China for this year's Sino-U.S. Strategic and Economic Dialogue, chaired by Secretary of State Clinton and Treasury Secretary Geithner.

"The S&ED is an important forum to discuss macroeconomic issues and security issues. But it is also a staging ground for the more granular issues on which Commerce Secretary Locke and I will seek action at the Joint Commission on Commerce and Trade," he said. Many companies have highlighted China's recent measures to support "indigenous innovation", which is also a major concern related to industrial policy. Relative government departments have made it clear that indigenous innovation serves the interests of both the U.S. and China, and innovation is no excuse for discrimination, he said.

Jiang agreed with Kirk on the point, while saying "as a matter of fact, it is foreign corporations that often benefit from more preferential policies in China, than indigenous ones."

"China is making a consistent effort to establish a fair regime pursuing the doctrine of national treatment, which means every market participant, regardless of their nationality, should be treated equally," Jiang added.

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"China is making a consistent effort to establish a fair regime pursuing the doctrine of national treatment, which means every market participant, regardless of their nationality, should be treated equally," Jiang added.

Kirk said although China has already made efforts to address U.S. concerns, both sides need to work out more win-win trade policies.

"We appreciate efforts China's government has made to address our concerns, but we have urged them to refrain from further steps down this path. Instead, we need to sit down and talk about how to foster real innovation to benefit us all, " he added.

U.S. Commerce Secretary Gary Locke expressed the same concerns recently during an interview with China Daily, saying the U.S. is concerned about China's increasing use of industrial policies that may restrict market access and discriminate against foreign goods and services.



"China has made incredible progress on the IPR regime during the short period of less than 30 years," Jiang said, but "flaws do still exist, and the best way to find solutions is to intensify the dialogue and enhance mutual understanding."

Premier Wen Jiabao reassured foreign companies last month that they will not face discrimination in the country as the government will "unswervingly" continue its push to open up and thereby facilitate foreign investment.

"The policy of encouraging indigenous innovation treats all businesses in China the same. It will not exclude foreign companies," Wen said.

(Source: China Daily)

- China refutes accusation on intellectual property rights infringement (22<sup>nd</sup> May) (Xinhua) -- China here on Saturday refuted the criticism by some U.S. Congress members of its failure to crack down on intellectual property rights infringements.

Chinese Foreign Ministry spokesman Ma Zhaoxu made the remarks Saturday when commenting on media reports that the U.S. Congressional International Anti-Piracy Caucus condemned Canada, China, Mexico, Russia and Spain on May 19 for failing to crack down on piracy of copyrighted films, music, videogames and other entertainment products and placed them in the "2010 International Piracy Watch List."

Ma said the Chinese government attached great importance to intellectual property rights protection and has embedded it into its national strategy.

China had continuously promoted the building of a system and mechanisms for intellectual property rights protection, improved laws and regulations in the field and strengthened law enforcement, said Ma.

"The policies we have implemented, the measures and actions we have taken and the effects of our efforts are there for all to see," Ma said.

"The involved U.S. Congress members should respect the fact and stop making groundless accusation against China," he said.

- Chinese premier sends condolences to Indian leader over fatal plane crash (22<sup>nd</sup> May)

(Xinhua) -- Chinese Premier Wen Jiabao on Saturday sent a message of condolences to his Indian counterpart Manmohan Singh after a catastrophic plane crash in Mangalore in the southern Indian state of Karnataka early Saturday morning.

Wen, on behalf of the Chinese government, offered deep condolences for the victims and sincere regards to the families of those killed and to the injured.

Chinese Foreign Minister Yang Jiechi on the same day also sent a message of condolences to S. M. Krishna, the Indian external affairs minister.

A total of 158 passengers and crew members were killed when a state-run Air India Express aircraft, with 166 people on board, overshot a runway during landing and crashed near Mangalore airport early Saturday. Eight people survived.

Airlines officials said the passengers were all Indians.

## **Economic front**

- Chinese economy to continue rapid, sustainable growth: economist (16<sup>th</sup> May)

(Xinhua) -- Highly effective investment in infrastructure by the Chinese government and the urbanization process in China will ensure the continuous rapid growth of the Chinese economy in the next 20 years, said a distinguished economist on Saturday.

Justin Yifu Lin, chief economist and senior vice president of the World Bank, made the statement during the "China and the Future of the Global Economy" conference held at the University of Chicago.

Lin was very positive about the Chinese government's efficiency in infrastructure investment.

During the Southeast Asian financial crisis last century, the Chinese government solved the economic development bottleneck by investing in infrastructure. It laid a solid foundation for the development of an export-oriented Chinese economy, he said.

"Since the financial crisis in the second half of 2008, the Chinese government implemented a dynamic financial policy and heavily invested in infrastructure. It successfully drove China's economic growth and contributed to the global economic growth as well."

Most developing countries are facing the economic bottleneck of a backward infrastructure. The Chinese government has set a good example for other developing countries with its highly efficient investment in infrastructure. The World Bank may consider providing more loans to developing countries to help them invest in infrastructure, he continued.

Lin said China's future economic development has greater potential compared with other major economies.

"Currently, China is a nation with medium income, with only a 40-percent urbanization rate. With faster development of China's urbanization, the demand for infrastructure investment will increase which will ensure a long term growth of Chinese economy."

Regarding the negative factors that affect the Chinese economy such as high real estate prices, Lin noted, "The regulative measures taken by Chinese government over the last few weeks will be able to guarantee the smooth development of Chinese economy."

Another restrictive factor to affect China's economic growth is the growing income gap, Lin pointed out.

"The growing income gap in China will be a problem for the stable and long-term economic development. We can try to reform the financial system to reduce the income gap in China," he said.

He thinks that the current financial system in China is too concentrated. Chinese financial institutions are only interested in loaning to large enterprises, while a large number of small and medium companies and people in rural areas can not get needed financial services.

Lin believes that to a certain degree, this restricts the development of rural areas as well as small and medium companies, and enlarges the income gap. Therefore, the financial system in China needs urgent reform.

Talking about the exchange rate issue regarding the Chinese yuan, Lin said the revaluation of the yuan will not be able to solve the U.S. unemployment because the products exported from China are mainly labor-intensive products which are no longer manufactured in the United States. It can only increase the Americans' cost of living.

Xie Yunliang, acting consul general of China in Chicago, delivered a welcome speech at the conference. Over 600 people from China and U.S. financial and research institutions attended Saturday's conference.

- Hard choices for China's investors (17<sup>th</sup> May)

The recent slump in Chinese equities has turned the stock market into an attractive investment option for investors. Pan Weiting says there is no better place to put her money than in stocks.

Pan shelved plans to buy an apartment after real estate prices jumped the most on record and the government banned loans for third homes to cool the economy. Interest on the 400,000 yuan she has in her bank account is being eaten away by rising inflation, and the country's regulations limit her investment choices to property or domestic equities.

"The stock market is the best choice at the moment," said Pan, a 27-year-old Shanghai accountant. "Even the bank staff advised me against depositing more money."

Government leaders sought to deflate a speculative bubble that London-based property broker Knight Frank LLP said sent property prices up 25 percent in the fourth quarter by curbing mortgage loans. It left people in the nation with the world's biggest savings with few places to put their money.

US investment bank JPMorgan Chase & Co expects China stocks to rally more than 40 percent in a year while Robeco Group, an asset management company in the Netherlands, forecast a second-half rebound.

"It becomes a question of who is the least ugly girl at the fair," said Victoria Mio, a Hong Kong-based senior fund manager at Robeco, whose firm oversees \$194 billion worldwide. "There is some migration occurring and the shift will accelerate with a few months of negative interest rates."

As much as \$59 billion, about a third of the housing transaction volumes in the 35 biggest cities in 2009, may be diverted from property to equities this year, according to Citic Securities, China's biggest listed brokerage.

China's \$7.2 trillion of corporate and household savings is being eroded as inflation rises. The nation's inflation rate is forecast to climb 3.4 percent this year, according to the median estimate of 18 economists surveyed by Bloomberg on May 11.

The Shanghai Composite Index has declined 17 percent this year, the world's second-worst performer among the 93 gauges tracked by Bloomberg. It's happened on concern the government will keep tightening monetary policy to contain inflation and avert asset bubbles. "Chinese stocks would be their first choice for investment because they may remain cautious about the property market in the short term," said Shi Lei, a Beijing-based analyst at Bank of China Ltd, the biggest foreign currency trader. "The fixed deposit would be their last choice."

But Zhang Qi, an analyst at Haitong Securities, said the capital diverted from the property market was unlikely to alter the near-term weak momentum of the stock market. "We do expect a certain amount of capital to flow into the stock market but the impact is not going to be strong enough to change the current weak trend in the market," he said.

However, logistics company owner Hu Jieli says Chinese equities are still the best investment choice. He spent 9 million yuan buying apartments in Shanghai, where average home prices have risen threefold in the past five years, according to data from Shanghai Uwin Real Estate Information Services Co and eHomeday.com.

Hu, 33, said he would not buy more property given the government's curbs. Instead, he plans to double his stock investments in the next six months to 3 million yuan.

"Property prices are probably going to take a breather with the current tightening," said Hu. "Currently stocks look the best bet."

For Pan Weiting, equities also trump home ownership for now. She doesn't plan to resume her search for an apartment in Shanghai's eastern Pudong district until prices decline by 20 percent.

"It's always good to own the roof over your head but you've got to be able to afford it. For now, it's out of my reach," she said.

(Source: China Daily)

- Senior CPC official stresses innovation ability, calls for faster economic growth pattern transformation (17<sup>th</sup> May)

(Xinhua) -- A senior official of the Communist Party of China (CPC) has called for more efforts in improving the country's innovation capabilities to accelerate the transformation of economic growth pattern.

Li Changchun, a member of the Standing Committee of the Political Bureau of the CPC Central Committee, made the remarks while making an inspection tour to south China's Guangdong Province from Thursday to Sunday.

"Indigenous innovation is the way out for an expedited transformation of the economic growth pattern," said Li, who told the local government officials to persist in the transformation of the economic growth pattern as a key element and strategic step in implementing the scientific outlook on development.

Li called on the local authorities to make great efforts in expanding the culture sector and get inspiration from doing so to keep improving quality and efficiency of economic development, trying hard to find new ways for China's sound and fast development of economy and society in the post-crisis era after the global financial downturn.

Li hoped Guangdong to pay equal emphasis on construction of iconic cultural projects and on building of cultural life at grassroots level. Efforts should be made to explore new ways for advancing administration of public cultural organizations and ways of service, to greatly enrich spiritual life of the broad masses of the people, he said.

Li stressed that it is imperative to improve mechanism of cultural market and establish platforms for evaluation of cultural assets, trading of property rights and venture capital investment in areas where conditions become mature.

"Pricing of cultural products should also be perfected so that more social funds are attracted to the cultural sector," said Li.

During his inspection tour in Guangdong, Li visited places including Guangzhou, the provincial capital, Yangjiang and Shenzhen, and inspected enterprises, units of publicity and culture, as well as construction sites of venues for the 16th Asian Games scheduled for Nov.12-27.

- China frets over rising capital inflow pressure (18<sup>th</sup> May)

Capital inflows are placing big pressure on China this year, as domestic companies and banks repatriate large volumes of foreign currency, a senior official said in remarks published yesterday.

Guan Tao, who heads the international balance of payments department at the State Administration of Foreign Exchange, said that ultra-low interest rates in the United States were also fuelling a global dollar carry trade that was channeling more funds to China. Guan suggested that Chinese players were the main drivers of these flows, looking to take advantage of both yuan appreciation and low U.S. rates.  
(Source: Shenzhen Daily)

- Chinese Stocks Retreat Abruptly From 2009 Gains (18<sup>th</sup> May)

SHANGHAI — After a spectacular rise last year, China's stock market has plummeted on what analysts say are growing concerns about Europe's debt crisis and expectations that Beijing is about to take strong action to slow the nation's booming economy and prevent it from overheating.

Investors are worried that Chinese exports to Europe will slow in the coming months and that government efforts to tame this country's economy by tightening credit will hamper a wide array of industries, including the nation's fast-growing real estate market.

Although share prices in Shanghai rose modestly Tuesday after falling 5 percent Monday, the Shanghai composite index remains near its lowest level in a year, down about 21 percent this year.

Stock prices have also fallen sharply over the last few months in Hong Kong and Shenzhen, largely because Beijing is expected to raise interest rates and tighten bank lending to help rein in inflation and soaring property prices.

In Hong Kong, the Hang Seng index is down about 9 percent this year.

China's economy has been red hot since late 2009, when Beijing's huge economic stimulus package began to kick in along with record lending by state-owned banks. In the first quarter of this year, China said its economy grew 11.9 percent.

The aggressive lending helped revive China's building boom and sent Chinese stock prices soaring. Last year, the Shanghai composite rose about 80 percent, making it the world's best-performing major stock market.

But now, with mixed signals about the prospects of a solid global recovery by the end of this year, analysts say Chinese investors have grown cautious.

"This doesn't really reflect what's happening in the economy now, but it reflects what investors think will happen in the future," said Zhao Xinge, an associate professor of finance at the China Europe International Business School in Shanghai. "The new policies could cool the real estate market. And the real estate market plays a major role in the economy — not just steel and construction companies, even home appliances."

Although China's economy is still roaring, many economists expect growth to slow modestly in the latter part of this year, partly because of tighter monetary policies. And some warn of potentially bigger trouble ahead, particularly if exports to the United States and Europe — China's two biggest markets — are weak, and government stimulus money dries up.

Perhaps in anticipation, some investors are already pulling back from the stock market.

"This was a cash-driven rally, and now liquidity's being driven down a bit," said Stephen Green, a Shanghai-based economist at the [Standard Chartered](#) Bank.

Henry Cao, a professor of finance at the Cheung Kong Graduate School of Business, says some Chinese investors are already looking to invest overseas.

"They're hoping returns there might be better," Professor Cao said.

But other analysts caution that the Shanghai and Shenzhen stock markets are known for attracting speculators and, unlike the more stable Hang Seng index, are prone to volatile price swings.

In late 2007, the Shanghai composite soared as high as 6,036 before collapsing in 2008 and falling to about 1,717. Only late in 2009 did it start sprinting forward again. The Shenzhen index is down about 17 percent this year.

And yet, there is often a sense of optimism among investors in China, particularly in Shanghai, that any slowdown is just a breather before the next great stock rally.

That was evident Saturday, when this city unveiled a huge bronze sculpture of a charging bull and placed it in the Bund financial square. The sculpture is a replica of the one located in New York, on Wall Street. Both were produced by the Italian-American artist Arturo di Modica.

<http://www.nytimes.com/2010/05/19/business/global/19yuan.html?partner=rss&emc=rss>

- China's CPI to grow by around 2.5% in 1H (18<sup>th</sup> May)

(Xinhua) -- China's consumer price index (CPI), a main gauge of inflation, is expected to grow by about 2.5 percent for the first half of this year, the National Development and Reform Commission (NDRC) said in a statement released here Tuesday.

The top economic planner projected a 3 percent increase for May and June due to carryover effects, or negative CPI growth in the same period last year and 1.9 percent growth last December.

China's CPI rose 2.8 percent in April, and 2.4 percent in the first four months this year.

Rising prices of vegetables, fruits and grain in the past three months have caused much public discussion, since worsening inflation is feared as the government is expected to raise the price of energy and commodities to encourage higher energy efficiency and resource conservation.

But the NDRC said inflationary pressures were likely to decrease, adding that vegetable prices went down this month due to rebounding supplies amid warmer temperatures.

The Chinese government has set the CPI target of around 3 percent for the entire year.

- China should buy US goods to fix imbalance (19<sup>th</sup> May)

US Secretary of Commerce Gary Locke urged China on Wednesday to purchase more American goods to help reduce a huge trade imbalance that

has caused friction in US-Sino ties. "Obviously the trade deficit needs to come down," Locke told Reuters in an interview ahead of a high-level US-China Dialogue on economic and foreign policy concerns early next week in Beijing.

"There's two component to it: more exports from the United States to China and more internal consumption within China so that they're less reliant on exports," Locke said.

The former Washington state governor said he believed the turbulent economic events of the past several years, including most recently in Europe, has persuaded Chinese leaders they need to find a new model for economic growth.

"They recognise that their economy cannot become so export dependent, especially with the crisis within the EU. That's also a major destination for Chinese products," he said.

The US trade deficit with China totaled \$226.8 billion in 2009, down more than \$40 billion from 2008 but still the largest the United States has with any country.

The huge imbalance has fueled accusations in the US Congress and manufacturing sector that China is manipulating its currency for an unfair trade advantage by keeping the price of its yuan artificially low against the dollar.

US officials have said those concerns will be on the agenda at the two-day US-China Strategic and Economic Dialogue meeting starting on Monday.

Locke is leading a delegation of 24 US companies on a clean energy trade mission to China.

A primary purpose is to help meet President Barack Obama's goal of doubling overall US exports within five years.

Locke stopped short of setting an individual goal of doubling US exports to China.

But China's push to boost its use of renewable energy and to increase building efficiency offers big opportunities in areas where US companies have a lot to offer, he said.

In some cases, it makes more sense for US companies to build factories in China, than to ship the goods from the United States, Locke said.

But US company investment in Chinese manufacturing facilities also supports US jobs since many of the components that go into final goods produced in China are made in the United States, he said.

The United States also welcomes Chinese investment in the US manufacturing sector, which helps create jobs in the United States, Locke said.

"That's been a theme of the United States, with respect to all countries," he said.

US companies had more than \$45 billion invested in China as of 2008, but Chinese investment in the United States remains far below that.

<http://economictimes.indiatimes.com/news/international-business/China-should-buy-US-goods-to-fix-imbalance/articleshow/5948108.cms>

- US: currency valuation will be raised with China at summit next week, Treasury Department says (19<sup>th</sup> May)

The U.S. Treasury Department's senior co-ordinator for China affairs says the United States will raise what it considers China's undervalued currency at strategic China-U.S. talks next week. He is giving no indication of when China might move to strengthen its yuan.

David Loevinger told reporters Wednesday that China's moving to a stronger exchange rate would be an important way to stimulate better growth in the global economy.

He says he does not know when China might act, but U.S. officials are confident that China will strengthen its currency.

China has kept its currency rate about the same for nearly two years. Some economists believe the yuan is undervalued by up to 40 per cent against the dollar. They say that gives Chinese exporters an unfair advantage in overseas markets.

<http://www.winnipegfreepress.com/world/breakingnews/us-currency-valuation-will-be-raised-with-china-at-summit-next-week-treasury-department-says-94268629.html>

- U.S. Unlikely to Push China Hard on Currency Issue (19<sup>th</sup> May)

(Reuters) - The United States will continue nudging [China](#) at top-level talks in [Beijing](#) next week to let its yuan currency appreciate but won't push hard on the issue, senior Treasury officials indicated on Wednesday.

Treasury Secretary [Timothy Geithner](#) and the department's senior coordinator for Chinese affairs said they will urge China to see yuan appreciation as being in its own interest as well as that of the global economy.

But next Monday and Tuesday's Strategic and Economic Dialogue in Beijing is essentially cast as one in a series of gatherings between now and late June in which the [Obama](#) administration will try to gently push its point that Beijing should act .

"It's very important, and we've made very clear that a more market-oriented exchange rate would contribute to balanced, sustainable growth," David Loevinger, Treasury's senior coordinator for Chinese affairs, said at a briefing.

#### WORLD HAS AN INTEREST

Earlier, Geithner similarly said currency appreciation was not just a U.S.-China issue but one that involves the whole global economy. China has amassed huge trade surpluses and foreign reserves while becoming an exporting powerhouse. Now, the United States and others want China to boost consumption at home.

The [U.S. Treasury](#) has postponed a report on currency practices of key trade partners past a scheduled April 15 release, saying it wanted to explore the issue further at S&ED talks and at meetings of Group of 20 finance ministers in early June and [G20](#) political leaders later next month.

Many analysts saw that as an effective deadline for Beijing to resume letting its yuan, also called the renminbi, rise in value or risk being named a currency manipulator with potential trade sanctions to follow.

Geithner wouldn't speculate on the timing of any action.

"I don't know when they're going to move," he said in an interview on [CNBC](#) television.

"But I think it's very much in their interest for them to move."

<http://abcnews.go.com/Business/wireStory?id=10690842>

- China's SOEs post 579.52 bln yuan in profits in Jan-April (19<sup>th</sup> May)

(Xinhua) -- China's state-owned enterprises posted a 69.6-percent year-on-year surge in profits during the January-April period, the Ministry of Finance announced Wednesday.

In the first four months, combined profits of China's SOEs hit 579.52 billion yuan (84.85 billion U.S. dollars), the ministry's statistics showed.

Operating revenue of the SOEs reached about 9 trillion yuan (1.32 trillion U.S. dollars), up 46 percent from a year earlier.



The SOEs paid a total of 794.63 billion yuan (116.34 billion U.S. dollars) in taxes in the first four months, up 30.4 percent, with taxes payable amounting to 806.3 billion yuan (118 billion U.S. dollars).

The ministry did not provide reasons for the surge in profits and revenues, but analysts believed a low comparison base for the same period of last year helped fuel the strong growth.

Inventory levels and costs of however, both rose from January to April, leading to a slowdown in profit margin growth, according to the ministry.

The oil and petrochemical, coal, communications and automobile industries continued to see big increases in profits from January to April but the growth rate had slowed down.

Iron and steel, non-ferrous metals and power generation sectors posted steady growth in revenues from January to April.

- China's stocks fall 0.27%, led by property, financial shares (19<sup>th</sup> May)

(Xinhua) -- Chinese equities snapped the upward trend of the previous trading day to close lower Wednesday on the back of falls in property and financial shares.

The benchmark Shanghai Composite Index lost 0.27 percent to close at 2,587.81 points.

The Shenzhen Component Index fell 0.12 percent to 9,991.4 at the close.

Total turnover shrank to 139.5 billion yuan (20.42 billion U.S. dollars) from 149.16 billion yuan on the previous trading day.

Losers outnumbered gainers by 531 to 322 in Shanghai but gainers outnumbered losers by 470 to 445 in Shenzhen.

Property stocks failed to continue Tuesday's strong performance with the sector losing 1.56 percent Wednesday on continuing concerns over further tightening measures to cool the market.

- 5 mln more Chinese employed at end of 2009 vs. 2008 (19<sup>th</sup> May)

More than 779.95 million Chinese were employed at the end of last year, 5.15 million more than at the end of 2008, China's Ministry of Human Resources and Social Security said here Wednesday.

Some 297.08 million Chinese worked in the agriculture sector last year, accounting for 38.1 percent of the total labor force.

Another 216.84 million and 266.03 million people were employed in the secondary and tertiary industries, respectively, according to the ministry.

China's urban jobless rate stood at 4.3 percent at the end of 2009, the ministry said, adding that 5.14 million laid-off workers found new jobs.

- China to be world's biggest luxury goods market in five years: blue paper (19<sup>th</sup> May)

(Xinhua) -- China will rank as the world's biggest market for luxury goods in five years, a blue paper on China's commercial development from 2009 to 2010 released in Beijing Wednesday said.

Released by the Chinese Academy of Social Sciences, the blue paper said China's luxury goods market had increased to 9.4 billion U.S. dollars by the end of 2009, accounting for

27.5 percent of the world's luxury goods market and supplanting the United States as the world's second largest luxury goods market

In five years, the market for luxury goods in China will reach 14.6 billion U.S. dollars, becoming the largest in the world, the paper predicted.

The paper said most luxury goods makers have opened outlets in Chinese metropolises and provincial capital cities.

With increased competition, however, some of the makers have opened outlets in smaller cities, too.

The paper quoted a Mckinsey & Company report as saying rich consumers in China are generally younger than those in other countries, although it gave no definition for such a consumer.

- Yuan Forwards Fall as China Says Won't Yield to Global Pressure (20<sup>th</sup> May)

(Bloomberg) -- Yuan forwards weakened for a second day after Chinese officials said the nation won't yield to global calls to end a 22-month peg, damping speculation next week's U.S.-China trade talks would trigger appreciation.

China won't succumb to external pressure and will modify the currency based on the economic situation, Assistant Finance Minister Zhu Guangyao said in Beijing today. Stability between the world's major reserve currencies will aid the global economic recovery, he said at a briefing to discuss the May 24- 25 Strategic & Economic Dialogue in Beijing.

"There are a lot of mixed messages coming out before the SED talks and the G-20 meetings causing speculation for a move, but I still don't think it's imminent," said Mitul Kotecha, head of global currency strategy at Credit Agricole CIB in Hong Kong. "Appreciation in two to three months is on track, but the euro's decline and the European debt crisis have delayed it."

The yuan's 12-month non-deliverable forward contracts fell 0.2 percent to 6.7260 per dollar as of 5:03 p.m. in Hong Kong, 1.5 percent stronger than the spot rate of 6.8277. The projected gain was the least indicated since September. Against the euro, China's currency has strengthened 16 percent this year as Greece needed a bailout to repay its debt.

"Only the authorities of a sovereign country have the right to decide how to form the exchange rate," Zhu said. Countries should "work to maintain the stability of exchange rates between currencies so as to create a favorable environment for the global economic recovery," he said.

China has held the yuan at about 6.83 per dollar since July 2008, after allowing it to appreciate by 21 percent over three years. Treasury Secretary Timothy Geithner, among officials participating in the talks, this week called for China to ensure a “level playing field” for U.S. companies.

#### ‘Mixed Messages’

China’s commerce minister, Chen Deming, told reporters in Austria yesterday his country would maintain the stability of its currency to foster economic growth, Xinhua News Agency reported today. The yuan’s peg to the dollar isn’t likely to be a “major issue” at next week’s discussions, the China Daily reported, citing central bank adviser Li Daokui.

Li said the SED is expected to “play down” the currency issue, giving China “leeway” to make its own decision, according to the newspaper. Pressure for appreciation may decline as the nation’s trade surplus shrinks, the China Securities Journal said today in an editorial.

#### G-20 Meeting

Finance ministers from the Group of 20 nations will meet June 4-5 in Busan, South Korea. The central bank governors of Brazil and India last month joined the U.S. in calling for China to allow the yuan to appreciate.

China is the largest foreign investor in U.S. Treasuries and also the country’s second-largest trading partner. Total U.S.-China trade in goods was \$94 billion for the first three months of 2010, up 19 percent from the same period in 2009. The U.S. trade deficit with China was \$52 billion in the first three months of the year, up 3 percent from the first quarter of 2009.

The Chinese government may change the yuan exchange rate within two to three months, the National Business Daily reported today, citing Wu Qing at the State Council’s Development Research Center. Adjusting the currency’s exchange rate is preferable to raising interest rates, Wu told the newspaper.

#### Bonds Decline

Government bonds declined after the central bank pushed up the yield on three-month bills for the first time in four months, spurring speculation it may step up draining of liquidity.

The People’s Bank of China sold the three-month paper at 1.45 percent, from 1.41 percent last week, the first increase since Jan. 21. It issued three-year notes at a yield of 2.70 percent, lower than 2.72 percent on May 6 and higher than yesterday’s secondary-market trading rate of 2.59 percent for similar-maturity existing securities. “The central bank is trying to curb inflation by pushing up the three-month bill yield because any

change in the open-market interest rates will send an important policy signal to the market,” said Jiang Chao, an analyst in Shanghai at Guotai Junan Securities Co., the nation’s largest brokerage by revenue. “At the same time, it lowers the three-year bill yield to damp the market’s speculation about an imminent interest-rate hike.”

The yield on the 3.36 percent note due March 2020 climbed four basis points to 3.19 percent, and the price of the security dropped 0.30 per 100 yuan face amount to 101.47, according to the China Interbank Bond Market.

The monetary authority withdrew a net 51 billion (\$7.5 billion) yuan of capital from the financial market this week, compared with an injection of 152 billion yuan last week, according to data compiled by Bloomberg.

Jiang said the central bank will probably allow the yield on one-year bills to rise from 1.9264 percent at an auction next week, and it may raise the benchmark deposit rate by 27 basis points as early as October.

<http://www.businessweek.com/news/2010-05-20/yuan-forwards-fall-as-china-says-won-t-yield-to-global-pressure.html>

- China’s Stocks Fall to Three-Week Low on Europe Debt Concern (20<sup>th</sup> May)

(Bloomberg) -- China’s stocks fell, sending the benchmark index to a three-week low, on concern Europe’s debt crisis and Chinese property curbs will hurt earnings growth.

China Vanke Co. paced losses by developers after the nation’s top economic planning agency said home transactions in some cities began decreasing in mid-April. Industrial Bank Co. slid 3 percent after saying it plans a rights offer this month.

“The macro risks are obvious -- a slowdown in the West and policy-induced hard landing in China,” said Jeff Coggshall, a London-based hedge fund manager at Tiburon Partners LLP who’s betting on declines in some stocks tied to Chinese consumer demand. “I’m looking for a buy point but we’re not there yet.”

The Shanghai Composite Index declined 31.87, or 1.2 percent, to 2,555.94 at the close, the lowest since April 30. The measure has lost 22 percent in 2010, Asia’s worst performer, after surging 80 percent last year. It entered a bear market on May 11 after falling 21 percent from its Nov. 23 high. The CSI 300 Index dropped 1.3 percent to 2,726.02.

Vanke declined 2.2 percent to 7.10 yuan. Poly Real Estate Group Co., the country’s No. 2 developer, slid 1.7 percent to 10.53 yuan. Jiangxi Zhongjiang Real Estate Co. dropped 8.5 percent to 7.87 yuan.

Prices have reached a plateau in some cities and speculators are exiting the property market, the National Development and Reform Commission said on its website after the

market closed yesterday. Shenzhen plans to forbid the building of villas, Nanfang Daily reported today, citing a local government report.

### Bearish Bets

The government raised mortgage rates and down payments in April to curb real-estate price gains, while the central bank this month ordered banks to set aside more deposits as reserves for a third time in 2010.

Options traders are placing a record number of bearish bets against Chinese stocks as concern deepens that government measures to contain home prices and European debt problems will curb earnings.

The open interest, or number of existing contracts, for so-called put options on the iShares FTSE/Xinhua China 25 Index Fund surged 24 percent in the past month to 2.15 million as of yesterday, data compiled by Bloomberg show. A gauge of demand for options that bet on a decline in the exchange traded fund and those profiting from a gain widened

Premier Wen Jiabao said May 18 the global economic crisis is more complicated and serious than expected, and the foundations of the recovery remain fragile, China Central Television reported. Europe is China's biggest export destination, making up 20 percent of its total overseas sales.

### Interest Rate Forecasts

The yuan has appreciated more than 14 percent against the euro in the past four months and the gain is putting pressure on China's exporters, Ministry of Commerce spokesman Yao Jian said May 17.

Economists are paring back forecasts for interest-rate increases in China as the government moves to cool the property market and Europe's sovereign-debt crisis threatens the global recovery.

Deutsche Bank AG this week cut its estimate to a single 27 basis point increase in the benchmark lending rate this year. It previously forecast two to three increases. Morgan Stanley said the central bank may move in the second half of the year, not the first.

China can wait until the second half of 2010 or next year to raise interest rates as economic growth slows, the state-run China Securities Journal newspaper said in a front-page editorial.

Industrial Bank declined 3 percent to 27.01 yuan. The bank will price its rights shares at 18 yuan each, according to an exchange filing. The bank plans to raise as much as 18 billion yuan (\$2.64 billion) in the rights offer, which will begin on May 24.

The following stocks also rose or fell in China trading. Stock tickers are in parentheses after company names:

Shenzhen Fuanna Bedding and Furnishing Co. (002327 CH), a producer of bedding products, gained 3.2 percent to 38 yuan. Orient Securities Co. recommended investors “accumulate” the stock, citing its growth prospects.

Lanzhou Haimo Technologies Co. (300084 CH), a producer of testing equipment, gained 13 percent to 37.18 yuan in its trading debut on the ChiNext board in Shenzhen.

Liao Ning Oxiranchem Inc. (300082 CH), whose chemical products are used in solar cell manufacturing, fell 9.9 percent to 76.58 yuan on its first day of trading in Shenzhen.

<http://www.businessweek.com/news/2010-05-20/china-s-stocks-fall-to-three-week-low-on-europe-debt-concern.html>

- China to stick to policy of opening up, minister says (20<sup>th</sup> May)  
(Xinhua) -- Visiting Chinese Minister of Commerce Chen Deming stressed here on Wednesday that China will continue to stick to the policy of opening up and protecting the legitimate rights and interests of foreign-invested enterprises (FIEs) in the country. Speaking at a joint press conference with Reinhold Mittelehner, the Austrian economic affairs minister, and Christoph Leitl, president of the Austrian Chamber of Commerce, Chen said the Chinese government will step up intellectual property protection, and that all foreign investment enterprises in China will be treated equally. He called on Austria's small and mid-sized businesses to invest in China, especially in western China where "there are better chances."  
China and Austria should amend their agreements on investment protection for better results, Chen said.  
In addition to cooperation in traditional industries such as machinery, auto parts and transportation infrastructure, China and Austria can also cooperate in clean energy and environmental protection, Chen said.  
Chen was leading a trade mission to Austria. The two countries signed over a dozen cooperation agreements in trade and economy.

- Chinese mainland-Taiwan trade rockets in 1st 4 months (20<sup>th</sup> May)  
(Xinhua) -- Trade between the Chinese mainland and Taiwan reached 44.26 billion U.S. dollars in the first four months, up 67.9 percent year on year, according to the Ministry of Commerce.  
The figure included 8.52 billion U.S. dollars of Chinese mainland export to Taiwan, up 63.8 percent year on year, and 35.74 billion U.S. dollars of mainland imports from the island, an increase of 68.9 percent, according to a report posted by the ministry on its website.  
From January to April, the Chinese mainland approved 822 projects with investment from Taiwan, and recorded an inflow of 720 million U.S. dollars of investment from Taiwan.  
The Chinese mainland is Taiwan's largest export market.

The Chinese mainland's trade volume with Hong Kong from January to April this year rose by 31.4 percent compared with the same period last year to hit 61.82 billion U.S. dollars, according to the report.

- China creates 2.89 mln new jobs in urban areas in 1Q: vice minister (20<sup>th</sup> May) (Xinhua) -- China's job market has improved with 2.89 million new jobs being created in the first three months of 2010, Wang Xiaochu, Vice Minister of Labor and Human Resources, said here Thursday.

Wang told the "Global Jobs Pact" forum in Beijing the job market in China has stabilized with the registered jobless rate falling to 4.2 percent in urban areas in the first quarter from 4.3 percent at the end of 2009.

In spite of some achievements in tackling the global financial crisis, China still faces a "grave situation" in employment over the coming months, Wang said.

China aims to keep the urban registered unemployment rate below 4.6 percent in 2010.

- China's growth likely to see slowdown, but not sharp fall (20<sup>th</sup> May) (Xinhua) -- Concerns that cracks are appearing in China's economy have rattled the Asian markets. However, analysts say China's growth is unlikely to fall sharply this year, although it will slow.

China's benchmark Shanghai Composite Index slumped 5.07 percent Monday to 12-month low of 2,559.93. The index has declined almost 20 percent in the past month on concerns about government measures to rein in the property market and the Eurozone debt crisis.

Hong Kong's Hang Seng index tumbled 2.14 percent to 19,715.2. Japan's Nikkei-225 index fell 2.17 percent, or 226.75 points, to 10,235.76.

As the world's fastest-growing major economy, China posted an 11.9-percent increase in gross domestic product (GDP) in the first quarter this year, accelerating from 10.7 percent in the fourth quarter of 2009.

#### SIGNS OF SLOWDOWN

Analysts believe China's economy is on track to slow down as the impact of the massive economic stimulus package wears off, measures to cool the red-hot property market increase, and the fallout from the Greek debt crisis threatens global recovery.

Economic growth in the first quarter might be the highest quarterly rise for China this year, said Zhuang Jian, senior economist with the Asian Development Bank, during a talk show Monday on CNC World, Xinhua's global satellite news television service.

Zhuang expected China's GDP to increase 9.6 percent this year from 2009. "Although the increase may slow slightly, it is still a healthy and sustainable growth," he said.

China's economic growth might have started its slowdown as a result of policies to calm the booming property market and possible tightening of monetary policies, said Cao Honghui, senior researcher with the Institute of Finance and Banking under the Chinese Academy of Social Sciences.

The slowdown was evident in industrial value-added output, a main indicator of manufacturing activity, where growth slowed to 17.8 percent in April from a year earlier, down from year-on-year increase of 18.1 percent in March, according to the National Bureau of Statistics (NBS).

It was also reflected in urban fixed asset investment, which rose 26.1 percent in the January-April period from a year earlier, a slight drop from the 26.4-percent growth in

the first three months. Central government project investment climbed 10.6 percent in first four months this year, 18.7 percentage points lower than the January-April period of 2009.

#### TIGHTENING POLICIES

China last month unveiled a series of measures to tame the property market, including more restrictive down payment requirements, higher mortgage rates, a ban on lending for third home purchases, and increased scrutiny of developers' financing.

These measures would help check soaring housing prices and contribute to a decline in home sales, especially in some major cities, UBS Securities economist Wang Tao said in a note issued to clients.

Even after the policies, average property prices in 70 Chinese major cities jumped 12.8 percent from a year earlier in April, accelerating from March's 11.7 percent rise, according to the NBS statistics.

Cao said housing prices were likely to dip at the end of this year.

However, some analysts point out that slowing housing sales will weigh on sectors such as home decoration, construction material, steel and cement manufacturing, and the effects would emerge in several months.

The decline in housing prices would also result in a rise in non-performing loan ratios at commercial banks, but it would not endanger the whole banking sector because of the strict and efficient risk management system, Cao said.

The tightening measures would help rein in growth in the second half this year, said Li Wei, a Shanghai-based economist with Standard Chartered Bank.

The People's Bank of China, the central bank, has raised the reserve requirement ratio for banks three times this year in an effort to contain excess liquidity.

However, Wang said, the government might withdraw the temporary tightening measures in the property sector once housing prices started to stabilize or global demand pointed to risks of a global downturn.

#### POTENTIAL RISKS

Chinese officials are cautious about potential risks in economic growth.

During a visit in Tianjin last week, Premier Wen Jiabao warned of difficulties and challenges in China's economic development and called for coordination in macro policies to avoid negative consequences from overlapping policies.

Analysts said Wen's statement indicated the government was unlikely to shift its pro-growth policy stance while tempering the property market and inflation pressures.

Global uncertainties, especially the Greek debt crisis, also added new worries for Chinese policy makers.

NBS spokesman Sheng Laiyun said: "There is a trend that the Greek debt crisis will worsen and spread." This would hit China's exports, although to what extent was still unclear. Enditem

#### EDITOR'S NOTE:

Global audiences can view the 20-minute talk show, China View, via Asia-Pacific Satellite-6 at 134 degrees east longitude, with parameters set as 6065 MHz/3840 MHz. It can also be viewed at its website, [www.xhstv.com](http://www.xhstv.com).

- Over 1 mln people open online stores on China's largest retail website Taobao (20<sup>th</sup> May)



20 (Xinhua) -- More than 1 million people in China have opened online stores on the country's largest retail website, Taobao, over the past five years.

By the end of last month, 1.06 million people had become employed through opening online stores on Taobao.com, an e-commerce company based in eastern China's Hangzhou City, the company said.

In October 2005, Taobao pledged to "create" 1 million jobs through its online store platform over five years.

Company statistics show its online store owners are from all 31 provinces, municipalities and autonomous regions on the Chinese mainland.

More than half of store owners are from the eastern and southern coastal areas of China which are economically developed and export-orientated, and which also suffered the most during the global economic downturn.

The data shows store owners are not earning much, with their monthly income 1,000-2,000 yuan (147-294 U.S. dollars).

Other data showed that 57.7 percent of on-line store owners are aged between 23 and 32 years. Some 8.1 percent are aged between 18 and 22 years and believed to be university students.

"After I graduated last year, I chose to continue my Taobao business," said Wang Xiaojing, a 23-year-old from Sichuan University in southwest China's Chengdu City who runs an on-line store selling cosmetics and earns about 2,000 yuan per month.

"It is difficult to find a decent job now. But I believe my Taobao business will get bigger and bigger, and I can earn more than my classmates who work at companies," she said.

Transaction volume on Taobao, which was founded in 2003 and means "treasure hunt" in Chinese, exceeded 200 billion yuan last year.

China is facing an employment problem, with increasing numbers of university graduates and migrant workers unable to find jobs.

To diversify employment options, the government is encouraging young people to start their own businesses.

- China shares rebound as tightening jitters ease (21<sup>st</sup> May)

Chinese shares rebounded Friday as jitters over the possibility of more credit-tightening eased, led by property developers.

The benchmark Shanghai Composite Index rose 27.58 points, or 1.1 percent, to close at 2,583.52, but ended the week down by 4 percent. The Shenzhen Composite Index for China's smaller second exchange jumped 2.5 percent to 1,008.48.

The government might wind down credit-tightening policies to offset a possible drop in exports uncertainty remained about Europe's debt problems, analysts said. The Europe Union is China's biggest trading partner.

"At least it's unlikely for the government to impose more credit reining-in policies in the short run, otherwise it will depress China's economic recovery," said Zhou Lin, an analyst for Huatai Securities in the eastern city of Nanjing.

Real estate developers recovered on hopes of no more price curbs. Poly Real Estate Group soared 6 percent to 11.16 yuan, while rival China Vanke Ltd., the country's biggest developer, gained 4.1 percent to 7.39 yuan.

Xinjiang-based companies were heartened after the government on Thursday pledged to double investment to support the region in next five years. Steel producer Xinjiang Bayi Iron & Steel Co. advanced 8.2 percent to 22.52 yuan, while Xinjiang Goldwind Science & Tech Co., a major wind turbine maker, surged 6.4 percent to 22.66 yuan.

Airlines also trimmed some previous losses after being hurt by flight cancellations due to the Iceland volcano. China Eastern Airlines Corp. climbed 3.6 percent to 7.16 yuan, while Air China Ltd., the country's biggest international airlines, added 1.3 percent to 10.49 yuan.

In currency markets, the yuan strengthened to 6.8275 to the U.S. dollar, up from Thursday's close of 6.8276.

<http://www.businessweek.com/ap/financialnews/D9FR48V05.htm>

- Copper Rises in London, Narrows Weekly Drop on Chinese Imports (21<sup>st</sup> may)

(Bloomberg) -- Copper rose in London, narrowing a sixth weekly decline, on speculation that figures on Chinese imports of metal signal continued demand.

Inbound shipments of refined copper into China, the world's largest consumer, were 309,772 metric tons last month, the Beijing-based customs office said. That was about 50 percent above the average in January and February and more than 30 percent over the average in 2009's second half, said Barbara Lambrecht, a Commerzbank AG analyst.

"Support is coming from the latest import figures from China," she said today in a report. While shipments fell 8.1 percent from March and 2.6 percent from a year earlier, according to Bloomberg calculations, the data are "still strong," Lambrecht said.

Copper for delivery in three months rose \$39, or 0.6 percent, to \$6,649 a metric ton at 12:08 p.m. on the London Metal Exchange. The contract has slid 4 percent this week and yesterday dropped to the lowest intraday price since Feb. 9. Futures for July delivery advanced 2.2 percent to \$3.008 a pound on the Comex in New York.

Shrinking inventories of metal in Shanghai helped to support prices along with the import figures, Lambrecht said. Stockpiles declined for a third week, falling 5,306 tons to 167,789 tons, Shanghai's futures exchange said today on its website.

Stronger Euro

The U.S. Dollar Index, a six-currency gauge of the greenback's strength, swung between gains and losses. A stronger dollar makes metals priced in the currency more expensive in terms of other monies. The euro's gain to a one-week high today helped to lift metals, said Dan Smith, an analyst at Standard Chartered Plc in London.

"But sentiment is still very shaky across most financial markets," he said. The MSCI World Index of shares retreated for a seventh day in a row.

The dollar index has gained 10 percent this year as LME copper has dropped 9.8 percent.

Copper's gains were curbed as reports showed that German business confidence unexpectedly fell because of the European sovereign-debt crisis and growth in Europe's services and manufacturing industries slowed more than economists forecast.

### Industry Survey

The Ifo institute in Munich said its business climate index eased to 101.5 from 101.6 in April. Economists expected an increase to 101.9, according to a Bloomberg survey. A composite index based on a survey of euro-area purchasing managers in services and manufacturing industries probably fell to 56.2, Markit Economics said. Economists forecast a drop to 57.2.

European Union finance ministers will meet in Brussels today to discuss reforms to economic governance. Europe consumes 20 percent of global copper output and 15 percent to 25 percent of aluminum, zinc, nickel and lead production, according to Barclays Capital.

Copper inventories tracked by the LME slipped for a fourth day today to 479,825 tons, headed for a third monthly drop in a row. Bookings to remove metal from warehouses fell 4.5 percent to 22,450 tons, paring this week's climb to 22 percent, still the biggest gain in four weeks.

Aluminum for three-month delivery on the LME rose 1.7 percent to \$2,026 a ton. Producers in China, the world's largest maker and consumer of the metal, are operating at less than the cost of output after domestic prices fell and the government raised power rates for smelters, said Liu Xu, an analyst at China International Futures Co.

### Zinc, Tin

All "producers in China are definitely weighing output cuts now," Liu said today. "It's based on how far prices have fallen, without even taking into account that the cost for some producers will increase after the new power rules."

Zinc was little changed at \$1,873 a ton. Nyrstar NV, the world's largest producer, said a fire at its Hobart smelter in Australia cut output by an estimated 20 percent.

Lead was 0.3 percent higher at \$1,750 a ton and tin was little changed at \$17,400 a ton. Nickel fell 1.2 percent to \$20,950 a ton.

Inventories of aluminum in LME-monitored warehouses were little changed today at 4.58 million tons and rose 2.3 percent this week. One market participant holds between 50 percent to 79 percent of material available for delivery on May 24 and the following day, data from May 19 showed.

<http://www.businessweek.com/news/2010-05-21/copper-rises-in-london-narrows-weekly-drop-on-chinese-imports.html>

- China's trade chief says to proceed with RMB reform, keep stimulus (22<sup>nd</sup> May) (Xinhua) -- China will continue to proceed with the reform of its currency yuan, or RMB, and keep its fiscal stimulus in place for now, Chinese Minister of Commerce Chen Deming said on Friday.

"We know now the euro is in difficulty. We will continue with the direction of the reform of our currency," Chen told reporters after a meeting with European Union (EU) Trade Commissioner Karel De Gucht here.

"China will continue to proceed towards the direction of reforming the exchange rate formation mechanism of RMB. This will remain unchanged," he added.

According to Chen, the RMB has appreciated by 15 percent against the euro in recent months and by 7 percent in the past month as the euro dropped dramatically with the Greek debt crisis spreading in the eurozone, which posed risks to the economic recovery.

Chen said it is important to keep major currencies, including RMB, stable as the economic crisis is not yet over.

"The stability of a country's currency, especially the currency of major economies, is of vital importance. The depreciation or appreciation of a single currency will have a major impact on the world economy," he said.

A spokesman from the Chinese Ministry of Commerce said earlier this week that the worsening debt crisis in the eurozone and the sharp depreciation of the euro would have negative impact on Chinese exporters.

The EU is currently the largest market for China, accounting for 16 percent of Chinese exports.

Chen said the Chinese government was closely following the eurozone debt crisis and would like to see a stable and strong euro. He said China believes the crisis would be overcome soon by a joint rescue effort by the EU and the International Monetary Fund (IMF).

"The Chinese side is following carefully the development of the sovereign debt crisis in the European Union and hopes, and also believes that the efforts made by the EU and the IMF will end the crisis as soon as possible," he said.

"China also looks forward to a stable and strong euro," he added.

Eurozone countries and the IMF agreed early this month to jointly provide 110 billion euros (137 billion U.S. dollars) in three years to aid debt-laden Greece. Only one week later, a larger rescue package worth 750 billion euros (937 billion U.S. dollars) was hammered out in order to prevent the Greek debt crisis from spreading in the eurozone.

Chen said China will do its part in the largest-ever rescue efforts.

"China is a member of the IMF and therefore it will assume its due responsibilities when it comes to the rescue package," he said.

Chen said the eurozone debt crisis again highlighted fragility of the global economic recovery and against this background, it remains too early for China to phase out fiscal stimulus measures.

"There are still a lot of uncertainties in the world economy. Therefore we believe it is too early for us to talk about an exit strategy from our stimulus package," he said. "The Chinese government will continue to implement a proactive fiscal policy and a moderately easy monetary policy."

Chen also called on world governments to remain alert to trade protectionism for the sake of a global recovery.

"There is still uncertainties and tough way ahead. As the world is going through an economic recovery, countries across the world need to make concerted efforts to stand against protectionism and support liberalization of trade and investment," he said.

As for China, Chen said Beijing will continue the policy of stabilizing its own exports and promoting imports, which he hoped would help eurozone countries emerge from the debt crisis.

- U.S. commerce chief eyes improving two-way trade with China (22<sup>nd</sup> May)

"All the companies are looking to expand their presence in China and many of them already had facilities," he told reporters. "The opportunities are stunning in China."

Locke said Sunday in Hong Kong that "concrete proposals" on the export control regime could be expected within the next several months.

"Various reports and studies have indicated that some restrictions of export control have inhibited U.S. companies' sales of emerging technologies," he said. "We believe that some of these restrictions we have on the U.S. companies make absolutely no sense."

Locke has also made stops in Shanghai and Beijing. He will join U.S. Secretary of State Hillary Clinton, U.S. Treasury Secretary Timothy Geithner and other cabinet officials for the Second China-U.S. Strategic and Economic Dialogue scheduled for Monday and Tuesday in Beijing.

The dialogue will include issues of mutual concern including international and regional security, energy, trade and health care, he said.

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- Chinese business assets grow to \$3.9 trillion (22<sup>nd</sup> May)

Global Chinese business assets grew to 3.9 trillion U.S. dollars in 2009, a 56 percent growth from 2008, and a slight 5 percent rise compared with 3.7 trillion dollars in 2007, according to the 2009 World Chinese Entrepreneurs Development Plan released by the China News Agency special seminar group Thursday, the Xinhua news agency reported.

Of the 3.9 trillion-dollar assets, 3 trillion dollars are from 335 large listed Chinese companies whose headquarters are away from the Chinese mainland, 750 billion dollars are from Asia-based big private companies and small and medium-sized ones, and the other 160 billion-dollar assets are from non-Asia areas.

Assets bubble, depreciation of the U.S. dollar and China's economic recovery are the three key reasons behind the global Chinese business development in 2009, the report said.

Chinese enterprises, especially the big state-run listed corporations, will exert more influence on global Chinese entrepreneurs' development, according to the report.

However, despite the growth of total assets volume among global Chinese entrepreneurs, the profits shrank dramatically compared with before the world financial crisis, the report said.

(Source: China Daily)

## **Social front**

- China to improve coal mine safety facilities (19<sup>th</sup> May)

(Xinhua) -- China will improve safety facilities in mines nationwide to prevent and tackle underground disasters, said the country's coal mine safety watchdog Wednesday.

By 2015, all the mines would be equipped with safety facilities to enhance their safety monitoring and emergency response capacities, said Zhao Tiechui, head of the State Administration of Coal Mine Safety, when hosting a national work safety meeting in the northern Shanxi Province.

The mine would establish systems to monitor the underground conditions and locate the underground workers, as well as ensure a good communication system, Zhao said.

Safety chambers and other rescue facilities would be built to provide a safe shelter, oxygen and clean water to trapped workers when a disaster occurred, Zhao said.

Chinese mines are prone to disasters, such as gas blasts and flooding, as 95 percent of them are underground.

- Cargo throughput rises but passenger numbers drop for China's large ports (19<sup>th</sup> May)

(Xinhua) -- Major indices of China's large ports mostly pointed to better performance in April with increasing cargo throughput and exports volume, the Ministry of Transport said Wednesday.

According to latest figures posted on the ministry's website, China's large sea ports and river ports saw rapid throughput growth in cargo, exported goods volume and containers from January to April.

Passenger throughput via large ports, however, fell 18.5 percent from a year earlier to 295 million in the first four months of 2010, the ministry said.

Large ports are classified in China as sea ports with an annual cargo throughput above 15 million tonnes and river ports with an annual cargo throughput above 10 million tonnes.

From January to April, cargo throughput in those large ports jumped 20.2 percent year on year to about 2.48 billion tonnes, the ministry said.

About 206.5 million tonnes of goods were exported via the large ports during the January-April period, up 27.2 percent from a year ago.

Container throughput rose 22.4 percent year on year to 436.81 million TEUs in the first four months, according to the ministry.

- Senior CPC official stresses just, lawful handling of legal cases (20<sup>th</sup> May)

(Xinhua) -- Senior Chinese leader Zhou Yongkang on Thursday urged the country's law-enforcement officers to strive for just and lawful handling of every legal case.

"We must always make efforts to optimize the criminal justice system and improve law-enforcement so each legal case is dealt with in accordance with the law," said Zhou, a Standing Committee member of the Political Bureau of the Central Committee of the Communist Party of China (CPC), at a meeting in Beijing.

Zhou, who also heads the CPC Central Political and Legislative Affairs Committee, said there is still wrongful handling of legal cases which infringe upon the rights of the concerned parties and undermine the credibility of the judicial system.

He called on the officials at the meeting of the Central Political and Legislative Affairs Committee to treat every legal case meticulously.

In particular, he said, law-enforcement officers must apply the utmost stringent of standards when handling cases involving the death penalty.

- China allocates 16.7 bln yuan for housing for low-income urban families (20<sup>th</sup> May)

(Xinhua) -- China's central government has allocated 16.7 billion yuan (2.45 billion U.S. dollars) to help fiscally stretched local governments solve the housing problems of low-income urban families, the Ministry of Finance said Thursday.

The move came after Chinese Premier Wen Jiabao promised at the annual legislative session in March the nation would build 3 million low-cost apartments for low-income families and renovate 2.8 million shanty houses.

Governments at all levels are forbidden to hold back or misappropriate the funds, the ministry said in a statement posted on its website.

Local governments are not allowed to divert the funds to balance their budgets either, the statement said.

China has adopted a series of measures to cool the runaway property market and ease residents' frustration with skyrocketing home prices.

The measures include increasing land supply for residential property, especially for small- and medium-sized apartments for low- and middle-income families.

- Land, construction management "high-risk" posts for official corruption: watchdog (20<sup>th</sup> May)

(Xinhua) -- China's supervision officials on Thursday warned that land management and construction approval authorities had become high-risk posts where officials were vulnerable to bribes.

Corruptions could occur in all links in the chain of a construction project, from land use approval to project management, public bidding and construction material purchase, Hao Mingjin, vice minister of supervision, told a press conference held by the State Council's Information Office.

Hao cited 20 criminal cases in his opening remarks to the conference, in which officials in charge of land management and state-run construction companies were penalized.

A total of 5,241 officials received the Communist Party's disciplinary penalties and 3,058 were transferred to judiciary procedures for corruption or misconduct related to construction projects, according to Hao.

Behind frequently exposed construction quality scandals in China, government officials were found taking bribes, in the forms of cash, gold, houses, luxury cars and stocks, among others.

Among the twenty corruption cases, the biggest amount of the bribe was more than 22 million yuan (3.2 million U.S. dollars), and the vice minister admitted that the average bribe amount in construction cases was much higher than those in other cases.

Fu Kui, a director with the ministry, said land management authorities monopolized both administrative approval and administrative law enforcement, while supervision and management regulations were not sufficient, which explained partly why officials in relevant departments were vulnerable to corruption.

As land for real estate projects was a scarce resource but the demand for that was soaring, the gap offered an opportunity for those officials who can't resist temptation to exchange the public resource for personal gains, according to Fu.

Fu said the government would continue reforms in land management by reducing administration involvement in the industry, introducing more supervision and promoting a more market-orientated practice.

The Communist Party of China has issued a special regulation to prevent Party and government officials from abusing their powers to gain personal benefits from construction projects.

- Beijing holds Global Summit of Women 2010 (20<sup>th</sup> May)

(Xinhua) -- The Global Summit of Women 2010 opened Thursday in Beijing and was attended by more than 1,000 women delegates from more than 60 countries and regions.

Chen Zhili, president of the All-China Women's Federation (ACWF), said at the opening ceremony held at the Great Hall of the People the Chinese government attaches great importance to women's development and endeavors to "safeguard women's interests and promote gender equality."



She said the summit, jointly held by the ACWF and the China NGO Network for International Exchanges (CNNIE), aims to encourage women from all countries to "strive to become stronger and to support themselves" and to make great contributions to women's development worldwide.

Sun Jiazheng, head of the CNNIE and vice chairman of National Committee of the Chinese People's Political Consultative Conference (CPPCC), said he hoped the summit to become a platform showcasing women's abilities and for sharing development experiences.

- Chinese vice president highlights development of women's careers (20<sup>th</sup> May)

(Xinhua) -- Chinese Vice President Xi Jinping said here Thursday China is dedicated to the development of women's careers and will have in-depth exchanges of views with other countries in this regard.

Xi made the remarks while meeting with women politicians in Beijing to attend the Global Summit of Women 2010 which opened on Thursday evening.

Xi spoke highly of the role the summit has played in boosting the development of women's careers.

He said China has integrated the development of women's careers into the national development plan and has made great headway in this regard.

The summit, initiated by its director, American Irene Natividad, has been held annually the past 20 years.

"China is willing to work with the summit as well as all other countries to fully exchange views on the results of the women's movement so as to make more contributions to promoting human progress," said Xi.

The three-day Beijing summit is being jointly hosted by the All China Women's Federation (ACWF) and the China NGO network for International Exchanges (CNIE). Chen Zhili and Sun Jiazheng, heads of the two organs, attended the opening ceremony of the summit.

In a separate meeting with summit attendee Vietnamese Vice President Nguyen Thi Doan, Xi said China-Vietnam relations are at a new starting point as the two nations mark the 60th anniversary of the establishment of China-Vietnam diplomatic ties this year.

"China will work with Vietnam to continue to enrich the all-round strategic partnership and lift bilateral ties to a new level," said Xi.

Nguyen Thi Doan said it is encouraging China has overcome the difficulties resulting from global financial crisis.

She also said Vietnam will make positive efforts to step up cooperation with China.

## **Ethnic issues**

- Dalai Lama reaches out to Chinese followers on Twitter (22<sup>nd</sup> May)

Tibetan spiritual leader, the Dalai Lama has reached out to his followers in China through Twitter. He held a 90 minute conversation on the website, using Chinese writer and Tibetan Buddhist convert Wang Lixiong's Twitter feed.

The Buddhist leader fielded questions ranging from the Tibet issue to that of his succession, in all Dalai Lama answered almost 300 questions.

It is not known how many people could actually access the dialogue, since Twitter is banned in China, but unofficial estimates put the number of registered Twitter users in China at 150,000.

Significantly, he expressed concern over the deluge of Han Chinese people who have virtually taken over the Tibetan Autonomous Region because of their exponential population growth far outnumbering the original inhabitants.

According to the Christian Science Monitor, the Dalai Lama said that the gap between Tibetans and China's majority Han Chinese "is getting deeper and deeper". Adding that in some areas the Han community has grown so dramatically that "Tibetan culture faces a great crisis."

Criticising the Chinese regime, Dalai Lama tweeted: "The government made these tensions, not the people," through a Chinese interpreter, according to the Associated Press. (ANI)

<http://news.oneindia.in/2010/05/22/dalailama-reaches-out-to-chinese-followers-ontwitter.html>

## **Environmental front**

- U.S. commerce secretary promotes clean-energy deals with China (21<sup>st</sup> May) (Xinhua) -- U.S. Commerce Secretary Gary Locke said Friday the United States and China should lead the way in developing clean energy to meet future energy demands. Addressing students at China's prestigious Tsinghua University, Locke said worldwide energy is a six trillion USD market and the fastest-growing sector is the clean, green energy.

Locke is leading a trade mission of 24 U.S. companies to promote sales of clean-energy technology to China.

"These companies already possess cutting-edge technologies that can help China meet its ambitious energy efficiency goals while also spurring the creation of new jobs in China and the United States," said Locke.

Washington is seeking clean-energy technology sales to China to help fulfill U.S. President Barack Obama's pledge to double exports and create two million jobs within five years.

Beijing agrees that clean energy will be a highlight in China-U.S. trade cooperation. Meanwhile, China urges the United States to take moves toward easing restrictions on exports to China.

"The clean energy projects involve huge investments and long-term planning. The U.S. export restrictions, if not loosened, are a barrier for future cooperation between the two countries," said China's Vice Minister of Commerce, Ma Xiuhong.

- China's installed power capacity to reach 900 mln kw by year end (21<sup>st</sup> May) (Xinhua) -- China's installed power generation capacity will surpass 900 million kilowatts by the end of 2010, Zhang Guobao, head of China's National Energy Administration, said Friday.

China's installed power capacity has risen quickly in recent years, with the installed hydro-power capacity increasing to 197 million kilowatts from 117 million kilowatts at the beginning of the Eleventh Five-Year Plan period (from 2006 to 2010), Zhang said at a national work conference discussing the elimination of backward production capacity.

Official figures reveal combined installed electricity generation capacity in China stood at 874 million kilowatts at the end of last year, up 10.23 percent year on year.

Thermal power generation capacity accounted for 74.6 percent of the total by the end of last year, or 652 million kilowatts, down 1.45 percentage points year on year, as the nation strived to reduce dependence on polluting energy sources.

## **Regional report**

### **North**

#### **Politics**

- Chinese Commerce Ministry official sentenced to death with reprieve for corruption (20<sup>th</sup> May)

(Xinhua) -- A former high-ranking official in China's Ministry of Commerce (MOC) has been sentenced to death with a two-year reprieve for accepting bribes in Beijing, a local court said Thursday.

Former senior inspector Guo Jingyi, 44, was alleged to have accepted bribes valued at about 8.44 million yuan (1.24 million U.S. dollars), a written verdict issued by the Beijing Municipal No.2 Intermediate People's Court said.

The verdict also included the confiscation of all of Guo's personal property and lifetime deprivation of his political rights.

Guo entered the Ministry of Foreign Trade and Economic Cooperation, the predecessor to the Ministry of Commerce, in 1986 after graduating from Peking University's law school.

Guo was later appointed deputy head of the ministry's treaty and law department. He also served as deputy director of the Office of Anti-Monopoly Investigations.

Guo was detained by police in October 2008 while an MOC inspector.

The court found Guo took advantage of his post and took 3.34 million yuan in bribes from companies and lawyers between 1998 and 2007.

In return, he helped companies go public and obtain administrative approval for changes in stocks' rights and mergers and acquisitions by foreign companies.

Guo also took illegal gains valued at 5.1 million yuan to help a Beijing company set up a foreign-funded firm and help another company pass an investigation into its illegal use foreign exchange, along with two other former senior officials at the State Administration of Foreign Exchange and the State Administration for Industry and Commerce.

#### **Social front**

- 300 Beijing schools to have buildings strengthened against earthquakes (20<sup>th</sup> May)

(Xinhua) -- About 300 of the 2,500 primary and secondary schools in Beijing will reinforce their buildings in the upcoming summer vacation to make them more aseismatic. The repair project was launched after an inspection of school buildings found them unqualified to resist a moderate earthquake, a government spokesman said Thursday.

Xian Lianping, a spokesman of the Beijing Municipal Education Commission, said the inspections started in mid-2008, right after the 8.0-magnitude Wenchuan earthquake struck Wenchuan of Sichuan Province, leaving 87,000 people dead or missing.

Students in 30 schools in Xicheng District will start their summer vacation on June 28, half-a-month earlier than normal, to ensure adequate time for the building reinforcing, Ning Mei, a spokeswoman of the educational bureau of Xicheng District, said.

Some schools shortened their winter vacation at the beginning of the year, or held classes six days per week this semester, to ensure time for the construction, Xian added. Similar inspections and construction will also occur in Hebei, Jilin and Shandong provinces.

- Heaven on Earth (20<sup>th</sup> May) STRATFOR

A popular [nightclub and karaoke bar](#) in Beijing's Great Wall Sheraton Hotel was closed May 11, along with three other nightclubs in the city, ostensibly part of a routine government crackdown on crime-ridden entertainment venues (35 Beijing nightclubs have been closed since April). Beijing authorities often [clean up nightclubs](#) known for prostitution, drugs and other criminal dealings, especially in the run-up to high-profile international events like the [Olympics](#). But the closing of this particular venue may have been more a political move than a crime-fighting measure.

Operating under a name that translates to "Heaven on Earth" or "Paradise," but most commonly called "Passion" for a sign in English over the front door, the Beijing hot spot catered to the rich and well-connected and was known to employ high-class "escorts" for its patrons. Owner Qin Hui reduced his investment in the business over the years as he sold shares to generate the money to invest in other entertainment ventures, but he remained a shareholder and prominent figure at Passion.

Similar to [GOME CEO Huang Guangyu](#) (who was sentenced May 18 to 14 years in prison for bribery and insider trading), Qin was a successful entrepreneur with a rags-to-riches story. Originally from Sichuan province, he started his own business importing iron ore after graduating from college and used the proceeds and flourishing connections from the venture to open Passion. (Its prime location in the Beijing Sheraton suggests that Qin had the right official connections when he opened the club in 1995.) With its exclusive clientele, Passion further boosted Qin's "[guanxi](#)" networks, which in turn boosted his rise as an owner of media companies both on the mainland and in Hong Kong. (There are rumors that he is connected to former Chinese statesman Li Xiannian through marriage, which would help explain his stellar guanxi.)

Qin used his power and prestige to protect his club and its patrons, who often were government officials as well as businessmen. Despite Qin's connections, however, he did not remain completely unscathed. In April 2005, he was taken into custody by the Beijing police. No official announcement was made regarding his detention, but there are rumors that he was arrested on suspicion of bribery and for his links to Zhang Enzhao, the former China Construction Bank chairman who was convicted of bribery and sentenced to 15 years in prison in 2005. Qin was released, although his name did come up in Zhang's trial for allegedly providing Zhang with kickbacks. Qin is also said to be connected to Li Peiyang, the former chairman of Capital Airports Holding Co., who was convicted of bribery and executed, although Qin was not arrested in that case.

Now Qin's Passion has been closed (supposedly for six months, although guards at the club are reportedly saying that it could reopen soon), and media reports indicate this is the first time that the authorities have done more than just fine Passion and other exclusive Beijing nightclubs or close them only for a few days. Although the Strategic and Economic Dialogue conference with the United States will be held in Beijing next week, the scope of this recent crackdown surprised club owners and patrons because most

clean-up campaigns precede events which draw throngs of people to the capital, such as the Olympics or National Day.

The city does have a new police chief, Fu Zhenghua, who may be using the nightclub crackdown as a way to flex his muscles and demonstrate his crime-fighting determination. Rumor also has it that targeting Passion was meant as a warning to Jiang Zemin, who is rumored to have protected Qin and his interests while Chinese president and who is thought to be [at odds with current President Hu Jintao](#).

Any or all of these rumors may be true, and Passion was a prime target in the Beijing crackdown, but it wasn't necessarily singled out. Many of the other shuttered nightclubs had well-connected owners, and nightclubs have not been the only venues targeted; hair salons and other enterprises known for facilitating prostitution have also been closed. Although Chinese authorities have long been known to turn a blind-eye toward shady business operations, they are now beginning to focus intently on corruption as the central government tries to [consolidate its authority](#) nationwide.

- State councilor urges enhancing of scientific, technological infrastructure (21<sup>st</sup> May)

(Xinhua) -- Chinese State Councilor Liu Yandong Friday called for more efforts to strengthen the country's scientific and technological infrastructure at a foundation laying ceremony for an engineering materials test center in Beijing.

Scientific and technological infrastructure partly represents the nation's strength in science and technology, Liu, a member of the Political Bureau of the Central Committee of the Communist Party of China, said.

"The test center must serve China's strategic needs and be at the forefront of global scientific and technological research. It must also develop indigenous state-of-the-art technologies," she said.

Located in Zhongguancun, dubbed China's 'Silicon Valley,' the safety test center will be a platform for research and a place to assess the safety and durability of engineering materials.

## **Economic front**

### **Northwest**

#### **Politics**

#### **Social front**

- Xinjiang support package hailed by local residents (22<sup>nd</sup> May)

(Xinhua) -- China's support package for the far-west Xinjiang Uygur Autonomous Region unveiled Thursday has become a hot topic for residents of the region who hailed the strategic plans that help bring prosperity to their hometown.

Chinese President Hu Jintao said during a central work conference held in Beijing from Monday to Wednesday the region should undergo a spurt in development so that by 2015 its per capita gross domestic product reaches the national average.

Incomes and access to basic public services should reach the average level of the country's western regions, he said.

"I have noticed that 'People's livelihood' is mentioned several times in the package. The improvement of people's living standards can help ease social conflict and therefore ensure a more stable development environment," said Amiti Wushouer, an employee of the region's transport department.

A cab driver surnamed Zhang in the regional capital of Urumqi told Xinhua he was particularly interested in the part about the government relaxing policies about using natural gas in Xinjiang.

"This means the tensions concerning natural gas here will ease, and that's what we Xinjiang people have always wanted," said Zhang, who followed the news about the support plan on the radio.

Zhang Man, an experienced stock investor in Urumqi, was thrilled to see the shares of companies based in Xinjiang surge across the board Friday.

To boost development in the region, the government will cut taxes for some enterprises in the region, according to the package.

"The tax cuts are good news for listed Xinjiang companies and companies who have branches here, which will eventually benefit infrastructure construction and industries in the region," said Zhang Man.

According to the package, Xinjiang will be the first Chinese region to reform resource taxes.

The resource tax for oil and gas produced in Xinjiang will be levied based on price instead of quantity, effectively raising the revenue for the regional government.

"The resource tax reform will also help save energy and cut emissions," said Zhang Man.

"We must engage in vigorous economic development, accelerate the pace of development," said Chinese Premier Wen Jiabao, who also attended the meeting.

Wen said the fixed asset investment goal for Xinjiang in the government's next five-year plan starting in 2011 will be more than double the amount in the current plan that ends this year.

Banks will be encouraged to expand services in the region, he added.

"We feel this is a new starting point for Xinjiang, and we have to try our best to make the most of this great opportunity," said Hadeerbieke, deputy secretary-general of Altay Prefectural Party Committee in northern Xinjiang.

## **Economic front**

- Chinese central authorities outline roadmap for Xinjiang's leapfrog development, lasting stability (20<sup>th</sup> May)

(Xinhua) -- The Chinese central authorities have set down strategic plans for the far western Xinjiang Uygur Autonomous Region to achieve leapfrog development and lasting stability.

At a central work conference on Xinjiang's development concluded Wednesday, President Hu Jintao said Xinjiang should embark on a development road with Chinese characteristics and one that suits the region's situation.

Despite Xinjiang's rapid development in recent years, it is still lagging behind the country's economically-developed eastern region due to various historical, natural and social reasons, he said.

Hu said the region should comprehensively push forward its economic, political, cultural, social development, foster a conservation culture, and enhance Party building in the new circumstances.

By 2015, the per capita GDP in Xinjiang should catch up with the country's average level, and the residents' income and their access to basic public service should be improved to the average level of the country's western region, Hu said.

"Marked" improvement should be achieved in Xinjiang's infrastructure, self-development capacity, ethnic unity, and social stability within five years, he told the conference.

Xinjiang should fulfill the goal of achieving a moderately prosperous society in all aspects by 2020 by promoting coordinated regional development, people's living standards, an eco-friendly environment, ethnic unity, social stability, security in the border areas, and progress in civilization, he said.

All the nine members of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee, namely Hu Jintao, Wu Bangguo, Wen Jiabao, Jia Qinglin, Li Changchun, Xi Jinping, Li Keqiang, He Guoqiang and Zhou Yongkang, attended the conference.

- Implementation of new Xinjiang policies stressed to realize development, stability (21<sup>st</sup> May)

(Xinhua) -- A senior Communist Party of China (CPC) official Friday stressed quick and efficient implementation of new policies for western Xinjiang Uygur Autonomous Region, issued at a high-level meeting on Wednesday.

The "historic" central work conference on Xinjiang's development was the first step of "a long march," said Zhou Yongkang, member of the Standing Committee of the Political Bureau of the CPC Central Committee, at a meeting attended by officials from central government departments and Xinjiang regional authorities.

"Compared with holding the conference, the implementation of policies reached at the conference will be tougher and more complicated," he said.

He asked central government departments and Xinjiang regional authorities to fully implement the arrangements and measures announced at the conference.

The measures to address the most urgent problems and the issues of greatest public concern should be addressed first, he said.

The authorities should also work hard on major issues closely related to the development and stability of the region, he said.

At Wednesday's conference, China's central authorities set down strategic plans for Xinjiang to achieve "leapfrog development and lasting stability," promising supportive policies to boost the economy and more investment in public services and living standards.

Zhou urged government departments to work out detailed and supplementary measures and to trial some policies.

The central government should carefully research and resolve problems emerging in the implementation, inject creativity and set up a long-term assessment and supervision mechanism to ensure effective implementation, he said.

## **Northeast**



## **Politics**

### **Social front**

- China cuts timber production to protect major forest (19<sup>th</sup> May)

(Xinhua) -- Timber output has been cut to help sustain the environment of the Greater Hinggan Mountains in northeast China.

Annual timber output in the area since 2007 has been one-third less than the approved level of 2.1 million cubic meters under natural forest protection rules, said Zheng Xuehui, director of the planning and statistics department under the Greater Hinggan Forestry Group.

The group reduced output by 350,000 cubic meters in the first four months of the year. Between 2007 and 2009, the production was more than 2 million cubic meters under the allowed amount.

"After decades of over-felling, the quality of the forest is deteriorating," said Zheng. "If the practice continued, it would have a further negative impact on the environment."

The Greater Hinggan Mountains, which has the largest virgin forest in China, had 76.9 million cubic meters of wood resources, Zheng cited a 2006 survey as saying.

## **Economic front**

### **Southwest**

## **Politics**

### **Social front**

### **Economic front**

- New railway opens, links Chinese inland laptop production hub with port (19<sup>th</sup> May)

(Xinhua) -- A railway route dedicated to transporting goods between southwest China's Chongqing Municipality and a port in southern China's Shenzhen City went into service Wednesday amid efforts to build Chongqing into a world class laptop-manufacturing center.

With the special railway route opened, it takes only 53.5 hours for freight trains to reach Shenzhen's Yantian Port from Chongqing, saving 62.5 hours, according to a statement from the municipal government.

Yantian is a transport hub from which more than 100 flights and freighters head to different parts of the world every week.

"It means laptops manufactured in Chongqing can reach European countries within 27 days instead of 40 days as in the past," said Mu Huaping, deputy head of Chongqing's commission of economy and information technology.

The route was formed by restructuring existing railways with the support of the Ministry of Railways and involved little construction and investment, Mu added.

## **South central**

### **Politics**

### **Social front**

## **Economic front**

- Chinese vice premier calls for efforts to ensure summer grain output (21<sup>st</sup> May) (Xinhua) -- Chinese Vice Premier Hui Liangyu Friday ordered local governments to make every effort to ensure a good summer grain harvest.

Hui made the remarks during his inspection tour of Henan Province, a major wheat-producing province in central China, from Thursday to Friday.

He said a good summer harvest is important to stabilize grain production and agricultural development for the whole year.

It will also facilitate healthy economic and social development, he added.

The vice premier said China has entered the final and critical stage of summer grain production.

Local governments and departments must further implement the central government's policies to strengthen agriculture and benefit farmers, he said.

He ordered local governments to strengthen field management, intensify pest, disease and disaster prevention, to ensure preparation for the harvest in about two weeks.

According to the Ministry of Agriculture, China's summer grain output accounts for about a quarter of its annual food yield.

The minimum amount of grain required to feed China's 1.3 billion people is an annual grain output of 500 million tonnes.

China's summer grain output rose six years in a row to top 123.35 million tonnes last year, 2.6 million tonnes more than the previous year.

Grain output reached 530.8 million tonnes in 2009, the sixth consecutive year of growth in grain yield.

The grain situation this summer is challenging as persistent cold weather since the winter has ravaged major production zones in the north.

A severe drought since last September has also affected planting of crops in the south.

## **East**

### **Politics**

#### **Social front**

- Local officials named, shamed for illegal constructions (18<sup>th</sup> May)

Some 88 local officials in Pizhou of East China's Jiangsu province have been named and shamed for constructing illegal buildings in a bid to get more compensation in future demolition projects.

Starting in January this year, the 88 government officials took the lead in setting up unauthorized buliding projects during the personnel change of local government, which brought forth hundreds of copycats among ordinary residents, the Nanjing-based Yangtze Evening Post reported.

Residents followed the example in a bid to earn more compensation from urban development plans, which compensate residents for losses based on the area of their residence. At the height of the construction fever, unauthorized construction covered tens of thousands of square meters, the report said.

More than 900 unauthorized buildings had been constructed in the city and some of them have been demolished following the local government's pledge to stem illegal constructions, the report said.

On May 6, the local government made public the names of the officials who took the lead in the construction drive and ordered all the unauthorized construction to be demolished within one month.

The 88 officials include three officials from the local bureau of land and resources, eight from the public security bureau and 22 from the administration for industry and commerce.

Officials from the justice bureau, the education bureau and the public health bureau are also on the list.

A local government official, who declined to be identified, told China Daily that local supervision department officials are persuading the officials to demolish the constructions before the deadline of June 5, which some of them are unwilling to do.

In mid-April, the city's leaders including the Party chief and the mayor were reappointed. Some local officials took the opportunity to set up unauthorized construction during this period, as they thought if the buildings were completed before the new leaders took office, they would not be dismantled.

Some of the officials illegally occupied public landscaping areas without relevant permits and others expanded the buildings that were to be removed in order to earn huge compensation when the buildings are demolished, which aroused local residents' dissatisfaction.

"So many people are constructing buildings without permits, so I think I will suffer losses if I don't follow them," said one of the owners of the unauthorized constructions, who refused to be named.

"If the constructions are to be pulled down, the ones belonging to the government officials should be torn down first."

Government officials said the town and village officials are advising the residents to give up the thought of building unauthorized constructions by informing them of regulations on demolition compensations and city planning laws.

The housing and land prices in Pizhou, which ranks at the top in economic growth in north Jiangsu province, have doubled over the past three years.

(Source: China Daily)

## **Economic front**

- Nation sets agenda for high-tech tomorrow (17<sup>th</sup> May)

WHAT does the computerized future hold for China? Well, a road vehicle with auto pilot, a wristwatch-like device capable of a health check and customized education services through the Internet are on the horizon.

The breakthroughs would occur via cooperation in the fields of education, health care, automobile-making and information and communications technology, officials said during a Shanghai World Expo forum held in Ningbo, Zhejiang Province.

The two-day ICT and Urban Development Forum, the first of six theme forums during the Expo, closed yesterday.

"ICT has been adopted in many aspects of the economy to boost cities' sustainable development," said Shanghai Vice Mayor Yang Xiong.

"ICT is playing an important role in government operations and public services as well as in economic development," Yang said.

Lecture videos

China had already established an internal network to connect more than 1,000 universities and research organizations, Wu Qidi, former president of Tongji University, told the forum.

"China will build a nationwide network to provide education services, through lecture videos and other methods," said Wu.

"After that, people can choose to learn at 'Internet University' any time they want and it will solve the shortage of education resources."

Neusoft Corp was testing a personal health-care system in some rural regions of China, the forum was told.

The "wristwatch" constantly monitors overall body functions and results are transferred to servers.

These analyze the results and send messages of relevant advice or warnings to wearers' mobile phones, according to Liu Jiren, Neusoft's chairman and chief executive.

Traffic data

The automobile industry will feature more electronic components to make vehicles lighter, smarter and more energy-efficient, according to Kevin Wale, GM China's president and chief executive.

The company is embracing technology that includes vehicle-to-vehicle wireless communications, real-time traffic data tracking and an automatic driving system.

The Internet of Things proved to be the buzz phrase of the forum that drew government ministers, mayors, scientists, and entrepreneurs as keynote speakers.

IOT refers to a system including sensors, chips and networks to revolutionize homes and businesses.

China should accelerate the development of IOT, Industry and Information Technology Minister Li Yizhong told the forum on Saturday.

However, there were some cautionary words.

IOT investment and expansion seemed "too heated" and needed a cooling-off period, Jiang Mianheng, vice director of the Chinese Academy of Sciences, told the forum.

(Source: ShanghaiDaily.com)

- Eco-friendly development stressed for eastern Jiangsu (20<sup>th</sup> May)

(Xinhua) -- Senior Chinese leader He Guoqiang has stressed the importance of adjusting economic growth pattern to reduce energy waste and pollution.

He, a Standing Committee member of the Political Bureau of the Communist Party of China Central Committee, made the remarks during his visit to east China's Jiangsu Province from May 14 to 19.

While visiting a heavy equipment manufacturer, He urged the group to improve operations and management methods to reduce production costs and energy waste.

During his trip to Taihu lake, he called for more efforts to develop the recycling, low-carbon and green economy to strengthen environmental protection and to ensure people "have clean drinking water and clean air to breathe."

Taihu, China's third largest freshwater lake, has suffered rampant algae growth from water pollution due to sewage discharge.

An excess of algae removes oxygen from the water, killing fish and other aquatic life, which then decay and release toxins.

While inspecting the road tunnel which traverses the Yangtze River in Nanjing and the Sutong Yangtze Road Bridge that links the two cities of Nantong and Suzhou, He hailed engineers for overcoming various difficulties with their independent technological innovation.

- Clinton tours World Expo in Shanghai, visits U.S. pavilion she helped build (22<sup>nd</sup> May)

Secretary of State Hillary Rodham Clinton on Saturday took a few hours off from her attempts to ensure that war doesn't erupt on the Korean peninsula and that Iran doesn't get the bomb to bask in one of the singular successes of her 17 months as the nation's top diplomat: the U.S. pavilion at China's first world's fair.

Clinton toured the American and Chinese pavilions at Expo 2010 Shanghai, exchanged pleasantries with local Chinese officials, cooed over art work of Chinese schoolchildren, hobnobbed with the expo's smurf-like mascots and was even serenaded by scattered calls of "We love you, Hillary!"

"I'm just relieved," Clinton said when asked how she felt about the experience.

And she has reason to be. When she took office in January of last year, U.S. participation in the event was questionable. The group pushing for U.S. participation had little money and less direction. It looked increasingly likely that the United States would miss a jamboree of 189 nations and what its organizers claim will be the biggest staged event in human history. China's government is believed to have poured \$50 billion into the event and says it is expecting 70 million visitors. Missing out on the fair would have sent a bad signal to China, which loves these big affairs, about how much Washington values its relations with Beijing.

China had given the United States a choice spot at the fair, but the Americans weren't coming up with any money to build the building. So Clinton took over and, employing her formidable fund-raising talent, along with the help of a few old friends, succeeded in raising \$60 million to build the U.S. pavilion. Organizers formed a charity, ensuring that most, if not all, of the donations could be written off. Corporate America began to pony up.

The result, however, resembles more a convention center in a medium-sized American city than a showcase for the United States -- a warren of dark rooms with movie screens that pales in comparison to the ambitious pavilions of, among others, Saudi Arabia, which features the world's biggest Imax screen, and Germany, festooned with hundreds of giant red balls. Even the North Korean and Iranian pavilions, located side by side, seemed more inviting. North Korea had a fountain, a grotto and videos of "real life" in

Pyongyang. "Paradise For People" read the sign on the wall. Iran boasted exhibitions of scientific equipment, including a stuffed cloned goat on the first floor and a carpet market with Iranian fruit juices upstairs.

In addition, the message that Clinton saw Saturday at the American pavilion was so laden with corporate advertising that even some of the visiting U.S. officials seemed a little taken aback.

One film on the creative power of children featured interviews with representatives from corporate powerhouses Chevron, General Electric, Pepsi and Johnson & Johnson with the non-governmental organization Habitat for Humanity and the University of Washington thrown in apparently for good measure. That film was aired in the Citicorp room. In the pharmaceutical giant Pfizer room, Clinton was treated to a film that was the centerpiece of the U.S. message -- about a tween named Rain who wanted to build a garden on an urban plot. Through cajoling and hard work, she persuades young and old to help her.

"You've got a dream, so plant it in your heart," went the song. "You can make it bloom so all the world will see." As the movie ended, the screen said in Chinese: "This film was made by Pepsi."

No messages about democracy or freedom of expression or religious beliefs or association marred that program.

Frank Lavin, who is the chairman for Public Affairs for Asia Pacific at Edelman, said that decision was made on purpose. "We're trying not to be provocative," said Lavin, who was the chairman of the steering committee for the U.S. pavilion. He said there had been a "wide-ranging debate" among the corporate sponsors and other members of the committee about what type of message the pavilion should have. Other choices, he said, were "sustainability" and "teamwork."

Lavin defended the message, saying Rain's story was "distinctly American" and "shows how an open society can work.

"It's from the bottom up and multi-cultural," he added, saying another main goal was not to be "insulting" to Chinese viewers.

When asked about the fair in its totality, Clinton was visibly moved and looked back to the role that world expo's have played in U.S. history for a parallel. China's Communist Party leaders hope the event will showcase their country as a rising but peaceful world power, committed to economic development, science and stability.

"It's so much of a tradition of these expos, all the way back to St. Louis or New York. It's like a coming-out party for countries and cities," she said. "There's a real historical significance."

But when asked about the U.S. pavilion, Clinton appeared less enthusiastic. Said the secretary of state about the building her efforts built: "It's fine."

<http://www.washingtonpost.com/wpdyn/content/article/2010/05/22/AR2010052201152.html>

## **HONGKONG AND MACAU**

### **Politics**

### **Social front**

### **Economic front**

- HK stocks tumble 2.14 pct, tracking declines in peripheral markets (17<sup>th</sup> May) (Xinhua) -- Hong Kong shares fell for the second consecutive trading day on Monday to their lowest level in more than three months, tracking drops in other Asian equity markets amid investors' concerns over the debt crisis in European countries.

The benchmark Hang Seng index closed down 430.23 points, or 2.14 percent, at 19,715.20, after trading between a day high of 19,832.03 and a day low of 19,593.50 points.

Turnover totaled 67.12 billion HK dollars (8.61 billion U.S. dollars) compared with Friday's 67.18 billion HK dollars.

The H-share index tumbled 3.07 percent to end at 11,232.62 points.

Most constituent stocks of the Hang Seng Index fell in the day. Foxconn International, the only constituent stock from China's Taiwan, had the worst performance by falling 8.2 percent to 6.12 HK dollars per share.

Shares of the HSBC, one of the world's biggest banks, fell for the third consecutive trading day by dropping 2.28 percent to 72.9 HK dollars.

Other financial heavyweights also fell in the day. Shares of the ICBC, the world's largest bank by market value, edged down 1.92 percent to close at 5.61 HK dollars. China Construction Bank, one of the country's four largest State-owned banks, fell 1.74 percent to close at 6.21 HK dollars per share.

Another major lender, Bank of China, was down 2 percent to close at 3.92 HK dollars each share.

Heavyweight China Mobile, the world's largest mobile operator by subscribers, fell slightly 0.74 percent to close at 73.9 HK dollars.

Oils and commodity firms also fell amid increasing concerns over weak demand following the outbreak of the debt crisis in Europe.

PetroChina dropped 3 percent to close at 8.5 HK dollars per share. CNOOC was down 2.02 percent to 12.62 HK dollars.

Major coal producer China Shenhua, which is also one of the 43 constituent stocks of the Hang Seng Index, fell 3.4 percent to 29.75 HK dollars. (one dollar equals 7.797 HK dollars)

- HK's exports of service reach \$86 bln in 2009 (18<sup>th</sup> May)

(Xinhua) -- The services sector played a significant role in supporting the growth of Hong Kong's external trade, the value of export of services reached 669 billion HK dollars (86 billion U.S. dollars) in 2009, representing an average annual growth rate of 9.2 percent over 1999, said the Census & Statistics Department on Tuesday.

In 2009, exports of trade-related services represented the most important major service group, contributing 30.2 percent to the value of total exports of services. It was followed by exports of transportation services and travel services, contributing 29 percent and 19.1 percent respectively to the value of total exports of services in 2009.

In 1999, the respective percentage shares of these three major service groups in the total value of exports of services were 29.5 percent, 32.3 percent and 15.5 percent respectively.

The services sector also became the principal source of employment. In 2009, the services sector as a whole engaged 3.1 million persons out of the 3.5 million overall employment, said the department.

During the decade from 1999 to 2008, the services sector in the Hong Kong economy gained greater prominence. This change was reflected in the share of contribution of the services sector to the Gross Domestic Product (GDP). The contribution of the services sector to GDP increased from 86.1 percent in 1999 to 92.0 percent in 2008, according to the department.

While the services sector registered an increase in the share of the GDP over the period from 1999 to 2008, the relative importance of the manufacturing sector declined correspondingly, as reflected by its contribution to the GDP, which went down from 5.3 percent in 1999 to 2.5 percent in 2008.

- China Entrepreneur Summit 2010 HK Forum kicks off (19<sup>th</sup> May)

(Xinhua) -- The China Entrepreneur Summit (CES) 2010 HK Forum, a gathering of entrepreneurs and experts of different fields from Hong Kong and Chinese mainland, was held Wednesday at the Hong Kong Convention and Exhibition Center, focusing on exploring new drive for business growth.

It was the first time for the CES, a platform for exchanges between entrepreneurs and academic experts, to take place in Hong Kong.

Supported by the Hong Kong Trade Development Council (HKTDC), the Forum has brought together hundreds of well-known entrepreneurs, including Liu Chuanzhi, president of Legend Holdings Ltd., Ma Weihua, president of China Merchants Bank, and Victor K Fung, Chairman of the Li & Fung Group, who will also deliver a theme speech at the Forum.

Corporate growth in the crisis aftermath, planning Corporate Succession -- the Chinese ways, and Hong Kong as a global business partner for Chinese mainland enterprises will be the highlighted topics for discussion during the 2-day forum.



"We believe that Hong Kong, for the next 10 years, will serve as a bridge and a window for Chinese mainland enterprises to step forward into the international market," said Jack So, chairman of HKTDC, at the opening ceremony.

- HK's composite interest rate falls to 0.11% (19<sup>th</sup> May)

(Xinhua) -- Hong Kong's composite interest rate falls to 0.11 percent at the end of April, one basis point lower than at the end of March, the Monetary Authority said Wednesday. The fall was due to downward adjustments in longer-term interbank rates, the agency said. In April, local interbank rates with maturities of one month or longer drop 0.7 to 1.9 basis points, except for the six-month rate which remained steady.

- U.S. Consul General says natural for HK's economic integration with China's mainland (20<sup>th</sup> May)

(Xinhua) -- U.S. Consul General in Hong Kong, Stephen M. Young, said here Wednesday the global financial crisis provided HK an opportunity to accelerate a long-standing trend towards greater economic integration with the mainland and it was natural "to focus its attention where the opportunities appeared most attractive".

In his first Hong Kong speech, entitled "Initial Reflections on U.S.-Hong Kong Relations", Young said economic integration between the city and China's Mainland was a trend that had been underway since the first factories moved across the border to neighboring Shenzhen in the 1980s.

In the last few months this year, increasing efforts were made to connect Hong Kong more closely with the rest of the Pearl River Delta, such as the start of construction of the massive Hong Kong- Zhuhai-Macao Bridge, a high-speed rail link to Guangdong and a framework agreement between Guangdong and HK to secure closer economic cooperation.

- HK exports by land rise 11.6% annually between 1999-2009 (20<sup>th</sup> May)

(Xinhua) -- The value of Hong Kong's total exports transported by land had recorded an average annual growth rate of 11.6 percent in the last 10 years, rising from 299.4 billion HK dollars (38.4 billion U.S. dollars) in 1999 to 894.3 billion HK dollars last year, the city's Census and Statistics Department said Thursday.

Land had replaced sea as the most important mode of transport in Hong Kong's total exports since 2007, according to an article run by the Monthly Digest of Statistics-May edition.

In the past 10 years, the proportion of land mode of transport in the total exports value climbed from 22.2 percent to 36.2 percent, gradually surpassing the significance of sea transport -- of which the proportion fell from 49.6 percent to 27.9 percent.

Hong Kong's imports last year, however, were mainly transported by air. The imports value grew from 366.1 billion HK dollars in 1999 to 1.054 trillion HK dollars last year, representing an 11.2- percent average annual growth rate.

During the period, the proportion of air mode of transport in the imports value rose from 26.3 percent to 39.1 percent, taking up the leading position as the most important mode of transport in the city's imports since 2003.

- HK consumer prices rise 2.4% in April (20<sup>th</sup> May)

(Xinhua) -- Hong Kong's overall consumer prices rose 2.4 percent in April over the same month last year, the Census & Statistics Department announced on Thursday.

April's Composite Consumer Price Index was slightly larger than the rate of increase in March, which was 2 percent.

Inflationary pressures increased modestly in April, along with a more entrenched economic recovery and the slightly faster increases in import prices in recent months, the department said.

Inflationary pressures may rise further if the current economic upswing continues, it added. Yet the sustained productivity growth and recent rapid expansion in business volume should help to alleviate part of the upward pressures on local businesses' unit operating costs. The Government will monitor the situation.

- HK ranks 2nd most competitive economy (22<sup>nd</sup> May)

Hong Kong ranks as the world's second most competitive economy, following Singapore, according to the 2010 Global Competitiveness Report (GCR).

The report was released by the International Institute of Management Development (IMD) in Lausanne, Switzerland, on May 19, 2010, the People's Daily reported.

The United States dropped to third, and the Chinese mainland went up two places from 2009 to No 18.

It is the first time Asia took the top two positions over the U.S.. The new rising Asian economies are blessed by its economic recovery, according to the report.

IMD pointed out that the report was conducted following a comprehensive standard, including economic performances, science and technology development, life quality and environm