

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

**China**  
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### **REPORT No. 123:**

#### **Outline**

**SUMMARY OF ARTICLE: “China’s Space Odyssey”** by Gates Bill and Martin Klieber

#### **National report**

##### **Political front**

- Chinese government creates conditions for people to supervise itself: white paper (8<sup>th</sup> June)
- Chinese central government urges government organs to conserve energy, resources (10<sup>th</sup> June)

##### **Foreign relations**

- Will China 'influence' North Korea? (6<sup>th</sup> June)
- China accuses US of 'rude interference' in internal affairs (6<sup>th</sup> June)
- Soured military ties persist (6<sup>th</sup> June)
- China, Egypt ruling parties expect more exchanges (6<sup>th</sup> June)
- Vietnam vows to enhance ties with China (7<sup>th</sup> June)
- Hu's visit to promote Sino-Uzbek cooperation, SCO development: ambassador (7<sup>th</sup> June)
- China attaches great importance to nuclear safety: representative (7<sup>th</sup> June)
- Israel to attract Chinese tourists through easing of visa requirement (8<sup>th</sup> June)
- Myanmar top leader stresses development of Sino-Myanmar friendly ties (8<sup>th</sup> June)
- United Nations grateful to China's contributions in Haiti disaster (8<sup>th</sup> June)
- China hails success of Afghan peace assembly (8<sup>th</sup> June)
- China hopes to see sound, stable, sustained growth of ties with Japan (8<sup>th</sup> June)
- China calls on Asian countries to increase trust and coordination (9<sup>th</sup> June)
- China, Turkey vow to boost ties, exchanges of visits (9<sup>th</sup> June)
- Deepened Sino-Myanmar relations contribute to regional development: media (9<sup>th</sup> June)
- Chinese, Uzbek presidents hold talks on bilateral cooperation (9<sup>th</sup> June)

- China urges diplomatic solution to Iranian nuclear issue (9<sup>th</sup> June)
- Chinese president appoints new ambassadors (10<sup>th</sup> June)
- Pakistan, China enjoy special relations: Zardari (10<sup>th</sup> June)
- Highlights of Chinese President Hu Jintao's visit to Uzbekistan (10<sup>th</sup> June)
- China, Iceland agree to expand ties (10<sup>th</sup> June)
- China, Cyprus pledge to strengthen ties (10<sup>th</sup> June)
- China says no date set for talks with Japan on East China Sea issue (10<sup>th</sup> June)
- China pledges to make its relations with New Zealand "exemplary" (10<sup>th</sup> June)
- China reiterates UN resolution on Iran not end to diplomatic efforts (10<sup>th</sup> June)
- Commentary: Building a bright future with coherent effort (11<sup>th</sup> June)
- China, Norway hold dialogue on human rights, rule of law (11<sup>th</sup> June)
- Chinese president ends Uzbekistan trip (11<sup>th</sup> June)
- Chinese president calls for closer cooperation among SCO members (11<sup>th</sup> June)
- China, Russia seek to further bilateral ties (11<sup>th</sup> June)
- FLASH: KAN SAYS JAPAN TO DEEPEN STRATEGIC MUTUALLY BENEFICIAL RELATIONS WITH CHINA (11<sup>th</sup> June)
- Premier meets China-ROK children friendship group (12<sup>th</sup> June)
- China, Kazakhstan agree to deepen strategic partnership, cooperation (12<sup>th</sup> June)
- Sri Lanka, China vow to enhance cooperation (12<sup>th</sup> June)

### **Economic front**

- Honda's China strike a lesson for Japan (6<sup>th</sup> June)
- Growing confidence in Shanghai market (7<sup>th</sup> June)
- Low carbon index launched in China (7<sup>th</sup> June)
- China's farm produce prices drop five weeks in a row (8<sup>th</sup> June)
- China playing increasingly influential role in global economy: finance minister of Canada (8<sup>th</sup> June)
- China reports big rise in auto sales in January-May period (8<sup>th</sup> June)
- China's natural gas consumption to skyrocket in coming 10 years: PetroChina (8<sup>th</sup> June)
- China to further promote cross-border yuan trade settlement (8<sup>th</sup> June)
- China's May consumer confidence weakens amid market fluctuations (9<sup>th</sup> June)
- Chinese shares post biggest daily gain in two weeks on reported strong export data (9<sup>th</sup> June)
- Chinese mainland, Taiwan to hold third expert-level talks on economic pact (10<sup>th</sup> June)
- CNPC signs gas supply agreement with Uzbek oil company (10<sup>th</sup> May)
- China to strengthen monitoring of cross-border capital flows: FX regulator (10<sup>th</sup> June)
- China labour unrest may signal end of cheap manufacturing (11<sup>th</sup> June)
- Chinese exports surge in May (11<sup>th</sup> May)
- China striving to reach 11th Five Year Plan energy-saving goals: top planner (11<sup>th</sup> May)
- China May economic data complicates future policymaking (11<sup>th</sup> June)

- WB approves loans to support sustainable development in China's rural areas (11<sup>th</sup> June)
- Honda says China plants operating despite strike (12<sup>th</sup> June)
- IRAQ – CHINA Great opportunities for Chinese oil firms in Iraq (12<sup>th</sup> June)
- China expects big fall in trade surplus this year: commerce ministry (12<sup>th</sup> June)
- China's economic planner predicts 2.6% CPI growth in first half (12<sup>th</sup> June)

### **Social front**

- China plans to transform from labor-rich to talent-intensive (6<sup>th</sup> June)
- Senior official calls on law enforcement agencies to resolve social contradictions, maintain stability (6<sup>th</sup> June)
- China adopts more open policy to attract foreign talents (8<sup>th</sup> June)
- Labor Successes and More Strikes (10<sup>th</sup> May)
- Infectious diseases kill over 1,300 in Chinese mainland in May (10<sup>th</sup> June)
- Hospital visits point to improved China health service: Health Ministry (11<sup>th</sup> June)
- Chinese legislature to discuss law amendments to strengthen supervision of civil servants (11<sup>th</sup> June)

### **Ethnic issues**

- Senior Chinese leader stresses economic development and social harmony in ethnic minority areas (11<sup>th</sup> June)

### **Environmental front**

- China approves guidelines to enhance forest protection (9<sup>th</sup> June)
- China calls for persistent efforts in tackling environment challenges (10<sup>th</sup> June)
- Environment watchdog sinks teeth into local governments to curb river pollution (11<sup>th</sup> June)

### **Cyber/Technology Front**

- Conference of China's science, engineering academicians opens (7<sup>th</sup> June)
- President Hu stresses science, technology at academic conference (7<sup>th</sup> June)
- China issues white paper on Internet policy (8<sup>th</sup> June)
- China has 45,000 government Internet portals: white paper (8<sup>th</sup> June)
- China to make Internet accessible to 45% of population in next 5 years: White Paper (8<sup>th</sup> June)
- China invests 4.3 trillion yuan in Internet infrastructure construction over past 13 years (8<sup>th</sup> June)
- Online gaming industry turnover hits 25.8 bln yuan in China last year: White Paper (8<sup>th</sup> June)
- China faces increasing computer crimes: white paper (8<sup>th</sup> June)
- China stresses online safety for minors: white paper (8<sup>th</sup> June)
- China calls for international cooperation on Internet security protection (8<sup>th</sup> June)
- China saw 138,000 Internet cafes as of 2009: report (8<sup>th</sup> June)

## **Regional report**

### **North**

**Politics**

**Social front**

**Economic front**

#### **Northwest**

**Politics**

**Social front**

**Economic front**

- CDB to increase lending to Xinjiang to boost development (8<sup>th</sup> June)
- CNPC to invest 23 bln yuan for oilfield in China's quake-hit Qinghai (11<sup>th</sup> June)

#### **Northeast**

**Politics**

**Social front**

**Economic front**

#### **Southwest**

**Politics**

**Social front**

**Economic front**

#### **South central**

**Politics**

**Social front**

**Economic front**

- Real estate investment grows in south China (7<sup>th</sup> June)
- Foxconn to give Chinese workers another pay raise
- Chinese Premier urges efforts for quick summer grain harvest (11<sup>th</sup> June)
- China Southern world's third largest air passenger carrier in 2009 (12<sup>th</sup> June)

#### **East**

**Politics**

- U.S. Congress recognizes Nanjing City as "Model for International Cooperation" (11<sup>th</sup> June)

**Social front**

- Another Judicial Attack (9<sup>th</sup> June)

#### **Economic front**

- Bulgaria, China's Zhejiang province to boost economic ties (9<sup>th</sup> June)
- Gucci wins first IPR lawsuit in China (10<sup>th</sup> June)
- Telecom operators to invest 11 bln yuan in Shanghai (10<sup>th</sup> June)
- Software export via E China's Shandong up 42% (10<sup>th</sup> June)

### **HONGKONG AND MACAU**

#### **Politics**

- HK top officials continue reform promotion (6<sup>th</sup> June)

#### **Social front**

- HK holds Joint World Conference on Social Development (10<sup>th</sup> June)
- HK approves 98.91 mln HKD for disaster relief in 2009/10 (11<sup>th</sup> June)

#### **Economic front**

- Macao's credit cards in circulation up 2.47% in Q1 (7<sup>th</sup> June)
- HK's port cargo throughput up 20% in Q1 (7<sup>th</sup> June)
- Funding applications invited for Guangdong-HK technology co-operation (10<sup>th</sup> June)
- HK, Russia institutes launch 5-year joint project (10<sup>th</sup> June)
- HK construction works gross value up 3.1% (11<sup>th</sup> June)

## Summary of Article:

### CHINA'S SPACE ODYSSEY

The article *China's Space Odyssey* by Gates Bill and Martin Klieber discusses the test of an anti-satellite missile system by China. Some view the test as a warning to the U.S. military, and others view it as a political move to raise awareness for the banning of space-based weapons systems. The author espouses the theory that China's People's Liberation Army (PLA) may have conducted the test without consulting other parts of China's security and foreign policy apparatus. The PLA has acted unilaterally in the past including its coverup of the severe acute respiratory syndrome (SARS) outbreak. The impact of the anti-satellite test on relations between the U.S. and China is discussed.

Since China's destruction of one of its weather satellites with a ballistic missile one widespread view is that the anti-satellite (ASAT) test was a measure towards the development of asymmetric capabilities in order to close the widening gap between the United States' military might and China's own in preparation for a possible conflict in the Taiwan Strait. With the United States heavy dependence on assets in space for real-time communications, battlefield awareness, weapons targeting, intelligence gathering, and reconnaissance, the Chinese rocket launch may have been an attempt to show a potent and effective deterrent to the US military.

Other analysts have argued that the test was a attempt to focus international attention on the need to ban weapons in space. There are also more questions being raised regarding the timings, intentions and foreign policy motives behind these tests. The most common and plausible assumption to answer these is that The People's Liberation Army (PLA) most likely proceeded with the ASAT testing program without consulting other key parts of the Chinese security and foreign policy bureaucracy.

This is not the first time that the PLA concealed its operations from other parts of the Chinese security and foreign policy apparatus.

Even today, information remains a highly prized and seldom-shared commodity in China's Leninist system. The PLA, which has long had considerable leeway to carry out its business as it saw fit, remains a particularly compartmentalized and secretive structure. Does this mean that the PLA operates as a rogue organization? No. The Chinese Communist Party (CCP) still controls the gun. Hu Jintao--who simultaneously heads the PLA (as chair of the Central Military Commission), the CCP (as its general secretary), and the state (as the country's president)--straddles the main parts of the political hierarchy. He was undoubtedly aware of and supportive of the ASAT testing program.

Regardless of who knew what, the test can only fuel mounting concerns about China as a potential military threat. Despite repeated warnings by Chinese Nuclear Strategists the 2006 Pentagon report on the PLA'S modernization had underestimated China's space warfare capabilities.

The ASAT incident has already breathed new life into U.S. missile defense projects and the development of advanced technologies to counter the threat that China and other countries may pose to U.S. space-based assets. And it will strengthen arguments for proposed regulations to impose tough export controls and further restrict high-tech trade with China, particularly in aerospace and information technologies.

The ASAT test has also cast doubt on China's reliability as a global partner. None of this bodes well for relations between the United States and China which was already not fairing very well; although the two sides managed to maintain a relatively stable relationship. It has already undermined recent progress on U.S.-Chinese space cooperation. After Presidents Bush and Hu proposed strengthening such ties during an April 2006, any cooperation in this field is now off the table.

Meanwhile, hopes are mounting in Washington and in other key capitals that China can play the role of a "responsible stakeholder" in the international system. Even as Washington and Beijing eye each other increasingly warily, their futures seem destined to become more deeply entwined and their relations to profoundly affect global security. But if internal decision-making in either capital is not well coordinated and carefully thought through, or if communication between the two governments is poor, unexpected incidents could quickly spin out of control. This is particularly true when incidents involve the countries' militaries or have military implications: China and the United States are already the two world powers most actively planning for a potential conflict with each other.

For Beijing, preventing miscommunication will require better controlling the signals it sends to its neighbors and the United States. It is up to the leadership in Beijing to decide how to do this

## **National report**

### **Political front**

- Chinese government creates conditions for people to supervise itself: white paper (8<sup>th</sup> June)

(Xinhua) -- A white paper on China's Internet policy and development published on Tuesday said the Chinese government has actively created conditions for the people to supervise the government.

The white paper, released by the State Council Information Office and titled "The Internet in China", said that on the great majority of government websites, relevant email addresses and telephone numbers are made public, so that the governments can be informed of problems in their work.

In order to facilitate the public's reporting of corrupt and degenerate officials and suchlike, the central discipline inspection and supervision authorities have set up informant websites, it said.

"The informant websites are playing an important role in preventing and punishing corruption among officials," it said.

According to a sample survey cited by the paper, more than 60 percent of netizens have a positive opinion of the fact that the government gives wide scope to the Internet's role in supervision, and consider it a manifestation of China's socialist democracy and progress.

"The Internet provides unprecedented convenience and a direct channel for the people to exercise their right to know, to participate, to be heard and to oversee, and is playing an increasingly important role in helping the government get to know the people's wishes, meet their needs and safeguard their interests," said the paper.

- Chinese central government urges government organs to conserve energy, resources (10<sup>th</sup> June)

(Xinhua) -- The Government Offices Administration of the State Council, China's cabinet, called on government organs Thursday to ensure enhanced energy conservation efforts.

Central government organs should save more electricity, petroleum and water to help the country meet its emission targets, a statement issued after an energy-saving conference held by the Government Offices Administration said.

China has vowed to reduce national energy intensity by 20 percent and major emissions by 10 percent between 2006 and 2010.

Departments or individuals found wasting energy will be "strictly punished," the statement reads.

The administration's figures show central government organs have achieved declines of 17.03 percent and 39.78 percent in per capita electricity consumption and water use, respectively, since 2006.

Consumption of petroleum declined 26.67 percent in the two years of 2008 and 2009 compared with previous years.

The administration, however, warned that the energy-saving task is still tough as the first quarter of the year saw increased energy consumption by central government departments.

In the first three months of the year, central government organs' consumption of electricity and petroleum increased 9.56 percent and 4.9 percent, respectively, according to the administration.

The administration asked government departments to send specially-assigned personnel to patrol offices and check on wasteful behavior like leaving air-conditioners on while working with the windows open, having lights on during the day and leaving taps running, the statement said.

## **Foreign relations**

- Will China 'influence' North Korea? (6<sup>th</sup> June)

My friends and colleagues come down on many different sides regarding the torpedoed South Korean warship and the resulting deaths of 46 sailors.

The real question is, "What will China do?"

Let's face it, China has significantly improved its global image since the events in Tiananmen Square in 1989.

The Chinese have taken the position that they want to be players in the global economy, and to do that they need to limit events that cause the rest of the global community to back away.

The only country over which China has direct influence is North Korea, and the sinking of a South Korean warship is not likely to be something that the Chinese are pleased with. If China is going to play a larger regional role, it needs to contribute to regional stability, not undermine it.

And the Chinese relationship with the North Koreans implicates them in the sinking of this warship even though the Chinese likely didn't have anything to do with it.

It will be interesting to watch the Chinese diplomatic corps in the next few weeks and months, because they will be running a high level of damage control.

It will also be interesting to see how their skills in this area have developed. We may learn a great deal about Chinese foreign policy.

This may well be a tremendous growth opportunity for the Chinese, and an opportunity for them to make a significant impact in Asian stability. They need to step in and take control.

<http://www.fredericksburg.com/News/FLS/2010/062010/06062010/551582>

- China accuses US of 'rude interference' in internal affairs (6<sup>th</sup> June)

China hit back at the US for demanding the release of Chinese arrested during the bloody 1989 Tiananmen square protests, saying it was a 'rude interference' in its internal affairs.

"The US statement, which ignored facts and groundlessly criticised the Chinese government, was a rude interference in China's internal affairs," official Xinhua news agency quoted Ma as saying.

He urged Washington 'to abandon its political bias and rectify the wrong practice to avoid disturbing the China-US relations'.

On the 21st anniversary of Tiananmen square protest by Chinese students, the US asked China to free all those still serving sentences for participating in the June 4, 1989 protests.

"We join others in the international community to urge China to release all those still serving sentences for participating in peaceful protests at that time and since," said Philip J Crowley, the US Assistant Secretary for Public Affairs.

"We ask the Chinese government to provide the fullest possible public accounting of those killed, detained or missing, and to cease harassment of those who participated in the demonstrations and the families of the victims," the top US official said in Washington.

Crowley demanded "China to protect the universal human rights of all its citizens, including those who peacefully dissent".

However, China rejected the US statement and expressed "strong dissatisfaction" and "firm opposition" to it.

<http://www.indianexpress.com/news/China-accuses-US-of---rude-interference---in-internal-affairs/630166>

- **Soured military ties persist (6<sup>th</sup> June)**

A senior [Chinese](#) military official laid blame on the United States over the weekend for obstructing the development of smooth Sino-US military ties, claiming at a major Asian security conference in Singapore that the problems stem from US arms sales to Taiwan and maritime conflicts.

"The barrier between US-China military relations is not built by China," General Ma Xiaotian, deputy chief of staff of the People's Liberation Army (PLA), said during question-and-answer session of the 9th Asia Security Summit, attended by defense ministers and policymakers from 28 nations.

The comment comes just days after Chinese officials refused to meet with US Defense Secretary Robert Gates, who was attempting to mend relations and discuss security issues. According to Ma, there are three main obstacles standing in the way of the development of bilateral military relations: the Taiwan sales, frequent reconnaissance by US naval ships and aircraft in the waters of the East and South China Sea, and some US laws, such as the 2000 Fiscal Year Defense Authorization Law passed by the Congress, which limits military exchanges with China.

"The US has stuck to its old path, and the arms sales remain a serious issue disturbing US-China relations over the past 30 years," he said.

Gates expressed disappointment Thursday at China's decision to call off his planned visit to the country. He said China's military leaders are "significantly less interested" in building ties with Washington than are the political leadership, calling China's military a roadblock to better overall relations between the US and China.

Pentagon press secretary Geoff Morrell said Wednesday that Gates had tentatively planned to travel to China after attending the annual security conference in Singapore but had to call off plans to visit China after Beijing said the timing was "inconvenient."

Military contacts between the US and China were called off by China this year after the Obama administration approved a plan in January to sell Taiwan up to \$6.4 billion worth of arms.

Major-General Yang Yi, a researcher at the Institute of Strategic Studies of the PLA National Defense University, told the Global Times Sunday that it is just a complacent assertion by the US that the China-US military contacts will return to normal after President Hu Jintao's visit to Washington and after the China-US Strategic and Economic Dialogues (SED) in Beijing.

"The US shouldn't expect that it can pass without any punishment after it hurts China's core interests. It doesn't mean Chinese are intolerant, but it shows we have a firm stance on issues of major importance," Yang said, adding that the cost to the US for hurting China's interests will be even higher in the future.

During the military session of the SED late last month, Ma had made similar remarks when meeting with US Commander in Chief of the Pacific Command Robert Willard and Wallace Gregson, assistant secretary of defense for Asian and Pacific security affairs.

At the Saturday summit, Gates chided the Chinese military for balking at military ties over the arms sales to Taiwan, saying Beijing's stance "makes little sense" and the lack of military contact between the US and China is damaging regional security in Asia.

Gates said President Barack Obama's decision to sell new arms to Taiwan was in line with previous US practice, did not affect Washington's opposition to Taiwan independence, and had not affected high-level civilian contacts between the two sides.

Washington is still evaluating Taiwan's bid to acquire US F16 fighter jets, US envoy Raymond Burghardt told reporters in Taipei, after meeting with "President" Ma Ying-jeou, who renewed the request to purchase the jets.

An opinion in the Foreign Policy magazine commented that it is almost unthinkable that Beijing will succeed in persuading Washington to change its decades-long policy of arming Taipei.

"Gates' remarks and calls for further arms sales in the US reflect that they have no reflection on their hegemony thought and actions," Yang said.

"They will have to change their policy toward Taiwan, which periodically hurts bilateral relations and mutual trust."

### **New hotspots**

In addition to the arms sales to Taiwan, the frequent confrontation in the trouble waters, especially the South China Sea, is becoming an increasingly highlighted issue for China and US military ties.

In 2009, China's ships confronted US surveillance ships several times in the South China Sea, with China accusing the US of "conducting activities in China's exclusive economic zone in the South China Sea without China's permission."

Gates said the Singapore summit that the US was worried about disputes over sovereignty in the South China Sea and about the effects they could have on economic activity.

"This area is not only crucial to those nations that are directly touching it, but it's very essential to all nations with commercial and safety benefits in Asia. It is very necessary to control freedom of navigation, constancy and financial growth," he said, adding that the US objects to any effort to intimidate US corporations or those of any nation engaged in legitimate economic activity.

A US official told Congress in July that China had asked some US and foreign oil and gas companies working with Vietnamese partners to halt exploration in offshore areas.

Admiral Robert Willard told the Financial Times in May that "there has been an assertiveness (displayed by China's military) that has been growing over time, particularly in the South China Sea and in the East China Sea.

Yang argued that the US, which he said is gathering intelligence data within China's economic zones, is attempting to ensure its strategic interests in the area by continuing spreading the "China Threat Theory" and triggering suspicion from China's neighboring countries.

*Kang Juan and agencies contributed to this story*

[http://china.globaltimes.cn/diplomacy/2010-06/539223\\_2.html](http://china.globaltimes.cn/diplomacy/2010-06/539223_2.html)

- China, Egypt ruling parties expect more exchanges (6<sup>th</sup> June)

(Xinhua) -- The ruling parties of China and Egypt vowed Sunday to promote exchanges in governance and strengthen cooperation in various fields.

Wang Gang, a member of the Political Bureau of the Communist Party of China (CPC) Central Committee held talks with Egypt's National Democratic Party (NDP) Secretary-General Safwat el-Sherif on Sunday.

Wang said it is conducive to the development of ties between China and Egypt that the two parties strengthen exchanges in state governance and administration experiences.

The enhancement of exchanges also contributes to furthering practical cooperation between the two countries in various fields, Wang said.

He added that the CPC has always treated ties with the NDP from a strategic height and regarded the NDP as an important strategic cooperative partner in both Africa and the Arab world.

For his part, Sherif said the NDP is willing to strengthen friendly exchanges with the CPC, and further develop the NDP-CPC ties.

Wang, also Vice Chairman of the Chinese People's Political Consultative Conference National Committee, the country's top political advisory body, headed a Chinese delegation on a visit to Cairo starting from Saturday.

Wang has met with President Hosni Mubarak earlier in the day.

- Vietnam vows to enhance ties with China (7<sup>th</sup> June)

(Xinhua) -- Vietnamese Prime Minister Nguyen Tan Dung told a visiting Chinese official here on Sunday that Vietnam vows to advance comprehensive strategic partnership of cooperation with China, according to a statement of the Chinese delegation on Monday.

Dung met with Wang Zhizhen, vice chairwoman of the National Committee of the Chinese People's Political Consultative Conference, who is here to attend the World Economic Forum on East Asia.

During the meeting, Dung said bilateral relations have developed over the past years in the spirit of good neighbors, good friends, good comrades and good partners.

Dung said this year marks Year of Friendship between the two countries. Vietnam is ready to work with China to further advance bilateral ties.

For her part, Wang said China and Vietnam have witnessed fruitful outcomes in cooperation in all areas in the past years.

Wang said China would like to continuously enrich and deepen bilateral comprehensive strategic partnership of cooperation.

Wang Sunday also attended the reception held by Vietnamese President Nguyen Minh Triet for guests of the World Economic Forum on East Asia.

- Hu's visit to promote Sino-Uzbek cooperation, SCO development: ambassador (7<sup>th</sup> June)

(Xinhua) -- Chinese President Hu Jintao's upcoming visit to Uzbekistan will help chart the future direction of the bilateral ties and add momentum to the development of the Shanghai Cooperation Organization (SCO), said Chinese Ambassador to Uzbekistan Yu Hongjun.

In a recent interview with Xinhua, the ambassador said the visit will also help promote peace, stability and development in the region.

At the invitation of Uzbek President Islam Karimov, President Hu will pay a state visit to Uzbekistan and attend the annual SCO summit here in the Uzbek capital between June 9 and 11. The Chinese and Uzbek presidents are expected to discuss bilateral ties, the SCO's development as well as key international and regional issues.

Yu noted that since China and Uzbekistan established diplomatic ties, leaders of the two countries have had frequent exchanges of visits and maintained close contact on the development of the bilateral ties as well as regional and international issues. Sino-Uzbek relations have entered a new phase since leaders from both sides signed a treaty for friendly and cooperative partnership in 2005.

The ambassador said China appreciated the condolences Karimov sent to the victims of China's Wenchuan earthquake in 2008, as well as the 50 tons of aid supplies provided by his government to the quake zone.

He said presidents of the two countries met twice last year, and since the start of this year, the two countries have maintained close contact and exchanges of visits, with a number of senior Chinese leaders coming to Uzbekistan for visits or meetings, including State Councilor Meng Jianzhu, Foreign Minister Yang Jiechi and Finance Minister Xie Xuren.

Yu said that Uzbekistan has firmly supported China over issues concerning China's core interests, and China on its part, has always supported Uzbekistan's efforts to safeguard its national sovereignty and independence as well as its stability and development.

On bilateral economic and trade cooperation, the ambassador said the two countries managed to register a year-on-year increase of 18.9 percent in their trade volume last year despite the global financial crisis. China has become Uzbekistan's second largest trade partner after Russia.

He attributed the hard-won growth to the visions and wise policies of the leaders of the two countries.

As SCO members, the two countries face the common tasks of safeguarding national sovereignty and security, and maintaining regional peace and stability. The two countries share similar positions on issues of fighting the "three forces" of terrorism, separatism and extremism. Senior security officials from both countries have maintained necessary contacts and conducted fruitful cooperation, Yu said.

With steady development of political, economic and energy cooperation between the two nations over recent years, Uzbek people are increasingly interested in China and the Chinese language. Nearly 2,000 Uzbek students are learning Chinese. The Confucius Institute in Tashkent has played an active role in promoting cultural exchanges since it was set up five years ago, he said.

The ambassador said he believes that President Hu's visit will enhance mutual political trust between the two nations and upgrade the bilateral ties.

- China attaches great importance to nuclear safety: representative (7<sup>th</sup> June)  
(Xinhua) -- A Chinese representative on Monday stressed at the International Atomic Energy Agency (IAEA) Board Meeting that China attaches great importance to nuclear security as the country is actively developing the peaceful use of nuclear energy, including nuclear power projects.

At the Copenhagen conference, China's promise on reducing carbon emissions not only demonstrated its responsible attitude on environmental issues to the international community, but also brought new opportunities to China's nuclear industry, said Chen Qiufa, chairman of the China Atomic Energy Authority and director of the Chinese mission to the IAEA.

"In the process of expanding the capacity of the nuclear industry, China has been giving top priority to nuclear safety in order to improve the overall supervision of nuclear safety and nuclear emergency management," Chen said in his speech.

He also said that China also attaches great importance to the safety and security of nuclear material and facilities, citing the fact that China is one of the first group of countries that signed on the amendment to the Convention on the Physical Protection of Nuclear Material.

He added that the China Atomic Energy Authority expects the IAEA to implement its responsibility in "statute" and "actively face the challenges from the global nuclear energy recovery, further strengthen its communication to member states, completely understand the actual needs of countries, and provide its member states with more targeted assistance."

- Israel to attract Chinese tourists through easing of visa requirement (8<sup>th</sup> June)  
(Xinhua) -- Israeli Tourism Ministry announced Monday to promote easing of visa application for organized tour groups from the main Chinese cities.

"The visa requirement is one of the main obstacles in the realization of the massive tourism potential in the Chinese market for Israel," Israeli Tourism Minister Stas Misezhnikov said in a statement on Monday.

"The length of time, complexity and bureaucracy involved in acquiring a visa prevent both the travel agents and the potential tourists themselves from choosing Israel as a tourism destination," noted the minister.

During Misezhnikov's working visit to China this month, he and his Chinese counterpart discussed expanding tourism cooperation and it was agreed to establish a joint tourism committee with representatives from all branches of the tourism industry.

Outbound tourism from China represents 5 percent of the entire global tourism market and is expected to reach 7 percent by 2020, the statement quoted.

"There is a need to build a professional marketing framework specifically for the Chinese market with its unique characteristics," said Misezhnikov.

- Myanmar top leader stresses development of Sino-Myanmar friendly ties (8<sup>th</sup> June)  
(Xinhua) -- Myanmar top leader Senior-General Than Shwe Tuesday reaffirmed his country's commitment for continued cooperation for further strengthening and

perpetuation of the existing friendship and mutually beneficial cooperation between Myanmar and China.

Than Shwe, Chairman of the State Peace and Development Council, made the remarks in his message sent to his Chinese counterpart Hu Jintao, Chinese President, on the occasion the 60th anniversary of establishment of diplomatic relations between Myanmar and China which falls on Tuesday.

Than Shwe said Myanmar and China, sharing a common border of land, mountains and rivers, have maintained traditional ties of friendship.

"In the past 60 years since the establishment of diplomatic relations, we have been able to nurture the 'Paukphaw (fraternal)' relationship based on equality, mutual respect and trust, friendship and cooperation in good faith. As the countries co- expounded and consistently adhered to the five principles of peaceful coexistence, the relationship between our two countries have developed rapidly in the past decades," he said.

"As a result of the efforts made by the leaders and peoples of both countries, cooperation between our two countries have strengthened significantly in various sectors, and the bilateral relationship has recently reached the level of strategic partnership," he added.

- United Nations grateful to China's contributions in Haiti disaster (8<sup>th</sup> June)

(Xinhua) -- "We were very pleased to see the searching rescue and medical teams from China in Haiti. They did an extremely good job, so we were very grateful for that contributions," United Nations official John Holmes told Xinhua in an exclusive interview on Tuesday.

The Latin American country Haiti was devastated by a major earthquake measuring 7.3 magnitude in January 2010. The World Health Organization (WHO) has estimated that between 40,000 to 50, 000 people have been killed in the earthquake.

Even though Haiti has no diplomatic relations with China, China has sent rescue and medical teams immediately after the area was devastated by the major earthquake. The Chinese relief team was amongst the first on the ground in Haiti.

The UN Under-Secretary General for Humanitarian Affairs Holmes told Xinhua, "China has very great capability to deal with natural disasters, because, unfortunately, China lives in disasters for its own country, for the earthquake or flood, (China) have full ranges of disasters to deal with, so (it) has developed very good capability."

Immediately after the earthquake, the Chinese Red Cross has allocated 1.1 million yuan (about 161,000 U.S. dollars) in materials and cash. Among the materials were 500 tents, 1,000 quilts and 1,000 coats.

"Absolutely we would like to see China playing role in all these areas, and China is very interested in playing increasing role in peacekeeping and the what it is, including Haiti, what I think to be a contribution there, including Sudan where Chinese engineering can believe himself, that's very important," Holmes said.

Talking about the climate change and natural disasters, Holmes said "We believe the climate change is resulting more disasters and more intense disasters. When actually look at the trend, there are growths in flooding, there is more droughts and of course there are more hurricane and cyclones around."

"The trend is without any doubt upward," Holmes said.

The Hurricane season has began last week, and sad news is that forecasters have been predicting it will be an active one.

"The trouble is you never know where the hurricane came to stake or when. But we know what the vulnerable countries are, for example in Central America and National America."  
"

Holmes warned people living in particularly vulnerable areas, low-lying areas have to be moved away from that area, also to make sure that rescue forces have good control of riverbanks and water shed.

"In a way that some of the big rivers from China which floods, (the humanitarian forces are) to make sure to reduce impact of these disasters before it happen, that will be our increasing focus for the future."

Holmes told Xinhua getting involve in humanitarian response system is extremely crucial. "Humanitarian response is a universal responsibility, a universal problem, and universal burden. We want to see the burden share equally."

Holmes is visiting Australia to participate in the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) Donor Support Group High Level Meeting (HLM) in Canberra on 8 and 9 June.

Australia is the current chair of the OCHA Donor Support Group (ODSG), a forum which seeks to enhance donor coordination and supports OCHA on its strategic policy directions and management systems. Enditem

- China hails success of Afghan peace assembly (8<sup>th</sup> June)

(Xinhua) -- Chinese Foreign Ministry spokesman Qin Gang on Tuesday extended China's congratulations to Afghanistan's peace gathering, the National Consultative Peace Jirga. The three-day Jirga, or assembly, concluded on June 4 in Afghan capital Kabul with a resolution calling for a lasting peace and an end to violence.

As a close and friendly neighbor of Afghanistan, China cares about the situation in the central Asian state and supports the Afghan government's policy of national reconciliation, Qin told a regular press briefing.

The Chinese government also appreciates Afghan government efforts to realize peace, Qin added.

China believes Afghanistan will realize peace, stability and development at an early date through joint efforts by the government and the people, Qin said.

- China hopes to see sound, stable, sustained growth of ties with Japan (8<sup>th</sup> June)

(Xinhua) -- China hopes to see sound, stable and sustained development of relations with Japan, which is in the fundamental interests of the two peoples and the region, Foreign Ministry spokesman Qin Gang said here Tuesday.

Qin made the remarks at a regular press briefing while commenting on Japan's new cabinet.

The Cabinet of Japan's newly-elected Prime Minister Naoto Kan formally began Tuesday after an attestation ceremony at Japan's Imperial Palace.

Qin said Kan attaches great importance to Japan-China relations and that China highly appreciates that.

China hopes to work with Japan to continuously advance their strategic relationship of mutual benefit, Qin said.

China hopes the two countries will fully implement the consensus reached during Chinese Premier Wen Jiabao's recent visit to Japan, so as to realize the two nations'

friendship for generations and to seek a win-win situation of mutual benefit and common development, Qin said.

Qin said China and Japan enjoy increasingly integrated interests and close people-to-people exchanges.

Quoting Premier Wen, Qin said the basis of China-Japan friendship is good relations between the two peoples.

The two countries should further strengthen their bonds of interests, continue to deepen the friendship between their peoples, which is the fundamental guarantee for stable and long-term growth of China-Japan relations, he said.

"We would like to make joint efforts with Japan in this regard," he said.

Newly-elected Democratic Party of Japan (DPJ) chief Naoto Kan became Japan's new prime minister after being approved by Japan's two-chamber Diet on June 4.

Premier Wen sent a telegraph to Kan congratulating him on his election on the same day.

- China calls on Asian countries to increase trust and coordination (9<sup>th</sup> June)

(Xinhua) -- China Tuesday called on Asian countries to increase trust and coordination in the post-financial-crisis era as part of efforts to work together for a secure and stable Asia.

The statement was made by Chinese State Councilor Dai Bingguo at the 3rd Summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA), which was held in Istanbul.

To create a good regional environment, he said, it is important to make full use of the CICA and other regional mechanisms of multilateral exchanges and cooperation.

"This serves the interests and meets the common needs of all countries," said Dai, who came for the meeting as the special representative of Chinese President Hu Jintao.

Addressing heads of state and senior officials from about 40 countries, Dai noted that international competition and cooperation will take place at higher levels and in broader areas.

Asia, as part of the global village, faces unprecedented development opportunities and multiple options of regional cooperation, he said.

At the same time, he said, it is also plagued by quite a number of hot-spot issues and security threats. Maintaining peace and stability, promoting economic development and improving people's well-being remain a long-standing and arduous task.

Therefore, he said, "We should stay committed to the new security concept of mutual trust, mutual benefit, equality and coordination, which requires us to not only value our respective national security, but also accommodate the legitimate security concerns of other countries and respect each other's core interests."

"We should commit ourselves to peaceful approaches to disputes and differences and joint response to all kinds of threats and challenges, including terrorism, separatism, extremism, drug trafficking and organized transnational crimes, so as to maintain long-term security and stability in the region," he said.

The Chinese senior official also urged CICA member countries to work together for a developed and prosperous Asia, saying "Development is a fundamental issue that is essential to the welfare and security of the people in all Asian countries."

Right now, he said, most countries in Asia are developing countries and two thirds of the world's poor are found in Asia. "It is therefore important that all Asian countries should

adhere to the policy of mutually beneficial and win-win cooperation, strengthen coordination of macro economic policies and actively explore their unique advantages and potential."

Dai said that Asian countries should work together for harmony and progress in Asia. "We should treat each other with sincerity, good-will and an open and inclusive mind, and we should allow different countries, nations, faiths and civilizations to live in harmony and move forward together through mutual learning."

- China, Turkey vow to boost ties, exchanges of visits (9<sup>th</sup> June)

(Xinhua) -- Chinese President Hu Jintao's special representative and State Councilor Dai Bingguo and Turkish President Abdullah Gul on Tuesday vowed to boost bilateral ties and increase exchanges of visits by leaders and senior officials.

Dai met with Gul on the sidelines of the third summit of the Conference on Interaction and Confidence-building Measures in Asia (CICA) here. Turkey held the rotating presidency of the 20-member forum.

Dai said Israel's recent raid on a Turkish humanitarian aid convoy heading to besieged Gaza, which had resulted in deaths, should be condemned, and he also offered condolences to those affected.

China was glad to see Turkey enjoying rapid development and increasing international influence, Dai said, noting the positive and strong development of relations between the two countries in recent years.

China attached great importance to the relations with Turkey and had been trying to handle them with a strategic and long-term approach. China was willing to work with Turkey for more visits by leaders and senior officials, more political trust and closer cooperation, he said.

Gul said he was pleased to see efforts to implement the consensus reached between him and President Hu on boosting relations between China and Turkey.

He noted the strong and rapid development of the bilateral friendship and cooperation, including the quick growth of Turkish exports to China.

The president said Turkey attached great importance to developing relations with China, and hoped to strengthen coordination with it in international affairs.

Turkey looked forward to increasing exchanges of visits by leaders and senior officials and boosting bilateral cooperation, he said.

- Deepened Sino-Myanmar relations contribute to regional development: media (9<sup>th</sup> June)

(Xinhua) -- A Myanmar official daily said on Wednesday that Myanmar and China will be able to closely cooperate for regional development, peace and stability and the well-being of the two peoples as friendship and amity between the two countries have been deepened.

Hailing the 60th anniversary of the establishment of diplomatic relations between Myanmar and China, the New Light of Myanmar recalled that over the past 60 years since the establishment, bilateral friendship has developed on a sustainable basis, underlining that there has been smooth progress in bilateral exchange and cooperation in all sectors including economy, trade, energy, transport, education and culture.

"The two countries' foreign affairs ministries have been able to make close cooperation in regional and international arenas," the editorial said.

The editorial also hailed the exchange of messages of felicitations between the heads of state, heads of government and ministers of foreign affairs on the occasion.

Myanmar and China share a long common border of land, mountains and rivers and have maintained traditional ties of friendship.

As the first visit to Myanmar by a Chinese premier in 16 years, Wen Jiabao paid a goodwill visit to the country from June 2 to 3 to mark the diplomatic establishment anniversary, during which he met with Chairman Than Shwe and had talks with Prime Minister U Thein Sein.

The two countries signed 15 documents on cooperation covering areas such as a natural gas pipeline, hydropower station and grant aid.

The two prime ministers also attended celebrations marking the 60th anniversary of diplomatic ties and took part in a handover ceremony for an international conference center, which was constructed with Chinese aid.

- Chinese, Uzbek presidents hold talks on bilateral cooperation (9<sup>th</sup> June)

(Xinhua) -- Chinese President Hu Jintao and his Uzbek counterpart Islam Karimov met here on Wednesday to discuss ways of enhancing bilateral cooperation.

The two leaders will exchange views on the current situation and prospects of bilateral ties as well as international and regional issues of common concern, Chinese Foreign Ministry officials said.

The Sino-Uzbek relations have undergone a sound and stable development since they forged diplomatic ties in 1992. In 2004, the two countries decided to establish the friendly and cooperative partnership.

In recent years, the two countries have maintained frequent high-level exchanges, deepened their political mutual trust and expanded cooperation in such fields as trade, economy, energy, security and culture.

China and Uzbekistan have supported each other on major issues of common concern, conducted robust cooperation in the United Nations, the Shanghai Cooperation Organization (SCO) and other multilateral organizations, and contributed to promoting peace and stability in the region and the world.

This is Hu's second trip to the Central Asian state since he became China's head of state in 2003. In June 2004, he visited Uzbekistan and attended a SCO summit in Tashkent.

In Tashkent, Hu will attend the SCO summit slated for Friday. The leaders of the SCO members are expected to exchange views on the world and regional situation, Central Asia security and stability, the international role of the SCO and its links with other multilateral organizations.

The participants will mainly discuss strategies for fighting the "three evil forces" -- terrorism, separatism and extremism, safeguarding security and stability, and increasing pragmatic cooperation.

Founded in 2001, the SCO consists of China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. Mongolia, India, Pakistan and Iran are observers of the organization.

- China urges diplomatic solution to Iranian nuclear issue (9<sup>th</sup> June)

(Xinhua) -- A senior Chinese official said here Wednesday the best way to solve the Iranian nuclear issue was through dialogue.

Chen Qiufa, chairman of the China Atomic Energy Authority and director of the Chinese mission to the International Atomic Energy Agency (IAEA), told an IAEA board meeting China noted Iran did not redirect its declared nuclear material for other uses.

However, Iran had failed to implement resolutions of the UN Security Council and the IAEA board, and needed to further enhance cooperation with the IAEA, he said.

"Iran has the right for peaceful use of nuclear energy, but also has to fulfill the corresponding obligation for non-proliferation of nuclear weapons at the same time," Chen said.

Therefore, he said, China called on Tehran to strengthen cooperation with the IAEA and implement the IAEA and Security Council resolutions.

China hoped Iran would "take active measures in implementing the Additional Protocol of the Non-Proliferation Treaty and clarifying outstanding issues, so as to restore the confidence of the international community in the peaceful nature of its nuclear program," the Chinese representative said.

Regarding an agreement signed recently by Iran, Turkey and Brazil for Iran to ship most of its low-enriched uranium to Turkey in exchange for the 20 percent uranium fuel needed for its reactor, Chen expressed hope the swap deal "could help resolve the Iranian nuclear issue through dialogue and negotiations."

China would continue efforts to facilitate talks among the concerned parties and help put an end to the issue through negotiations and consultations, he said.

Addressing the nuclear issue on the Korean Peninsula, Chen reiterated China's consistent call for a nuclear-free peninsula and opposition to proliferation of nuclear weapons.

"The six-party talks are an effective way to realize denuclearization of the Korean Peninsula and lasting peace and stability of Northeast Asia," Chen said.

In view of the current "complex and sensitive situation on the Korean Peninsula," Chen said, the relevant parties should "keep calm and restraint," focus on the overall situation and continue to promote the six-party talks process.

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

(Xinhua) -- Chinese President Hu Jintao has appointed six new ambassadors, a statement from the Standing Committee of the National People's Congress (NPC) said Thursday.

Hu made the appointments in line with decisions made by the NPC Standing Committee.

Wei Ruixing has been appointed ambassador to Namibia, replacing Ren Xiaoping.

Yu Xuzhong has been appointed ambassador to Burundi, replacing Zeng Xianqi.

Shen Zhifei has been appointed ambassador to Croatia, replacing Wu Lianqi.

Sun Yuxi has been appointed ambassador to Poland, replacing Sun Rongmin.

Sun Rongmin has been appointed ambassador to Slovenia, replacing Zhi Shaolin.

Wang Min has been appointed deputy representative to the United Nations, replacing Liu Zhenmin.

- Pakistan, China enjoy special relations: Zardari (10<sup>th</sup> June)

(Xinhua) -- Pakistani President Asif Ali Zardari said Wednesday that his country and China enjoy special relations, which are characterized as "all-weather and time-tested. " Talking to visiting Chinese Vice Premier Zhang Dejiang, Zardari said that the friendship and comprehensive partnership between the two countries has matured over the years into a vibrant multi- dimensional "strategic cooperative partnership" which is of great importance for peace and security of the region.

The president stated that Pakistan highly values Chinese support and cooperation, specially mentioning about Chinese assistance on different occasions.

He said that China and Pakistan share common perceptions on regional and international security and strategic issues.

The Chinese vice premier said that the purpose of his visit is to further improve the relations in the sectors of traffic, communication, energy and aviation.

China is willing to work with Pakistan to push forward the bilateral cooperation by discovering the potential and broadening the vision, he said.

The Chinese vice premier arrived in Islamabad on Wednesday for a two-day visit to Pakistan, the first stop of his four-nation tour which will also take him to Sri Lanka, Greece and Austria.

- Highlights of Chinese President Hu Jintao's visit to Uzbekistan (10<sup>th</sup> June)

(Xinhua) -- Chinese President Hu Jintao arrived in Tashkent Wednesday for a state visit to Uzbekistan, where he met with his Uzbek counterpart Islam Karimov to discuss ways to enhance bilateral cooperation.

Following are the highlights of President Hu's activities on Wednesday.

TASHKENT -- In a statement released upon his arrival at the airport, Hu said his visit was aimed at enhancing the long-standing friendship between the peoples of the two countries and advancing the friendly and cooperative partnership to a new level.

The Chinese president said he would discuss with his Uzbek counterpart Islam Karimov ways to promote bilateral ties and boost mutually beneficial bilateral cooperation and they would also exchange views on major international and regional issues of common concern.

TASHKENT -- When meeting here with Karimov on Wednesday, Hu pledged to enhance Sino-Uzbek cooperation.

Hu hailed the development of the Sino-Uzbek ties since the two countries established friendly and cooperative partnership in 2004.

He also put forward a six-point proposal for enhancing the friendly and cooperative partnership with Uzbekistan.

Hu spoke highly of Uzbekistan's efforts to deepen cooperation among the Shanghai Cooperation Organization (SCO) member countries, enhance the internal construction of the organization and boost the organization's international status during its SCO presidency.

- China, Iceland agree to expand ties (10<sup>th</sup> June)

(Xinhua) -- He Guoqiang, a senior Communist Party of China (CPC) official, and Icelandic Prime Minister Johanna Sigurdardottir agreed here Wednesday that China and Iceland will work together to further expand their relations in all fields.

During his meeting with Sigurdardottir, He, a member of the Standing Committee of the Political Bureau of the CPC Central Committee, spoke highly of the new progress in Sino-Icelandic friendly cooperation in all fields and appreciated Iceland's positions on issues concerning China's core interests.

The CPC senior official, who arrived here Tuesday evening after concluding his visit to Italy, made a four-point proposal for further developing ties between China and Iceland.

Firstly, high-level dialogue and exchange of visits between the two countries should be maintained and deepened to constantly enhance mutual political trust, He said.

Secondly, the two countries should further expand mutually beneficial cooperation in trade and economy, science and technology, tap the potential of bilateral cooperation, strengthen cooperation in fisheries, use of geothermal heat, and ship building as well as explore new areas of cooperation.

Thirdly, people-to-people and cultural exchanges between the two countries should be further enhanced to consolidate the foundation of bilateral ties.

Fourthly, both countries should enhance coordination in multilateral fora, and strengthen consultation and cooperation in efforts to deal with the global financial crisis and climate change, the CPC official said.

- China, Cyprus pledge to strengthen ties (10<sup>th</sup> June)

(Xinhua) -- A senior Chinese official and Cypriot President Demetris Christofias agreed here Wednesday to continuously advance relations of the two nations.

The bilateral ties are built upon a profound traditional friendship and a solid political foundation, Christofias said at a meeting with Wang Gang, a member of the Political Bureau of the Communist Party of China (CPC) and a vice chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), the country's top political advisory body.

Christofias said Cyprus attaches great importance to the development of its ties with China and will also make continued efforts to boost EU-China relations.

Wang, on his part, said both China and Cyprus firmly defend their independence, sovereignty and territorial integrity, and have trusted and supported each other on many major issues.

The two countries are all-weather friends and partners, he added.

Wang expressed appreciation for Cyprus's support on issues concerning China's core interests

Viewing the bilateral ties through strategic and long-term lenses, China is ready to work with Cyprus to further expand exchanges, deepen cooperation in various fields and raise bilateral ties to a new level, he said.

Wang also met Cypriot parliament speaker Marios Karoyian on Wednesday. They stressed the importance of inter-parliamentary exchanges in promoting bilateral ties and pledged to deepen the exchanges between the CPPCC and the Cypriot parliament.

China and Cyprus will mark the 40th anniversary of the establishment of their diplomatic relations next year.

- China says no date set for talks with Japan on East China Sea issue (10<sup>th</sup> June)

(Xinhua) -- China said Thursday that no date has been set for negotiations on implementing the principled consensus with Japan on the East China Sea issue.

During a visit late May, Chinese Premier Wen Jiabao and then Japanese Prime Minister Yukio Hatoyama held talks in Tokyo, agreeing to start negotiations on implementing the principled consensus on the East China Sea issue, which was reached in June 2008.

Chinese Foreign Ministry spokesman Qin Gang described the agreement as "an important step towards reaching a proper solution to the East China Sea issue," but gave no timeline for fresh talks.

"The exact date negotiations will start needs to be set through working-level communications between the two sides," said Qin at a regular news briefing.

- China pledges to make its relations with New Zealand "exemplary" (10<sup>th</sup> June) (Xinhua) -- China on Thursday pledged to build its relationship with New Zealand to serve as a model for other countries with different systems.

Chinese Vice President Xi Jinping made the remark in a meeting with New Zealand's Labour Party leader Phil Goff.

In their hour-long meeting at the Great Hall of the People, Xi and Goff discussed the growth of China-New Zealand ties, acknowledging sound cooperation in trade and economy, science and technology, tourism, education and culture.

New Zealand was the first western country to sign a free trade agreement with China during Goff's visit to Beijing in 2008.

Xi called for a stronger China-New Zealand relationship, envisioning it as "a paradigm of how countries with different social systems, cultural traditions and backgrounds can seek mutually-beneficial cooperation and exist in harmony."

Xi spoke highly of exchanges between the Communist Party of China (CPC) and New Zealand's Labour Party, saying the CPC valued its friendly ties with all parties in New Zealand.

"The CPC would like to strengthen its high-level exchanges with New Zealand's Labour Party, enhance communications in all fields and boost nation-to-nation relations," Xi said. Goff recalled the establishment of bilateral diplomatic ties in 1972, saying the event came right after Labour's election victory that year.

Goff said his party was proud of maintaining friendly ties with Beijing and would continue to adhere to the one-China policy and support China's core interests.

Goff travelled to Shanghai for the World Expo 2010 before he came to Beijing on Wednesday.

- China reiterates UN resolution on Iran not end to diplomatic efforts (10<sup>th</sup> June) (Xinhua) -- China reiterated Thursday the UN's adoption of a new resolution on the Iranian nuclear issue does not close the door on diplomatic efforts.

Chinese Foreign Ministry spokesman Qin Gang made the remarks at a regular news briefing.

Resolution 1929 is the fourth set of UN sanctions against Iran since December 2006. It prohibits Iran from investing abroad in nuclear and enrichment operations and imposes new restrictions on Iran's import of conventional arms.

Qin reaffirmed the resolution reflects the concerns of the international community with regards to the Iranian nuclear issue, adding that the international community hopes to resolve the issue in a peaceful manner.

Qin said the action taken by the UN Security Council aims to continuously promote the progress of dialogue and negotiation, not simply impose sanctions on Iran.

Fundamentally resolving the Iranian nuclear issue requires dialogue and negotiation, he said, adding that sanctions cannot resolve the root issue.

Qin expressed hope that all concerned parties will recognize the point and make joint efforts to peacefully resolve the Iran nuclear issue through diplomatic means.

Qin stressed that China's consideration in addressing the issue is maintaining the validity of the international nuclear non-proliferation mechanism and safeguarding peace and stability in the Middle East, especially the Gulf region.

The resolution just adopted expresses the concerns of the international community regarding the Iranian nuclear issue and their expectations to resolve the issue through diplomatic negotiation at an early date, he said.

China's position and efforts on the Iranian nuclear issue are responsible, constructive and obvious for all to see, he said.

The new UN sanctions against Iran aim to bring Iran back to negotiations and to activate a new round of diplomatic efforts, Qin reiterated.

He again called on the international community to make more efforts to find a long-term, comprehensive, proper solution to the issue.

"China is willing to work with all parties concerned to contribute to a proper resolution of the issue," he added.

In recent years, China has maintained close and good communication with all relevant parties, including Iran, in the process of dealing with the Iranian nuclear issue, he said.

China will continue to make these efforts in the future, he added.

Qin stressed China attaches great importance to relations with Iran, adding that bilateral ties are not only in the interests of both nations, but also in the interests of regional peace, stability and development.

As for the agreement between Turkey, Iran and Brazil signed in Tehran on May 17, Qin said China has paid attention to the efforts made by Brazil and Turkey to achieve a peaceful resolution to the Iranian nuclear issue.

Under the agreement, Iran has committed to give 1,200 kg of 3.5-percent-enriched uranium to Turkey in exchange for 120 kg of 20-percent-enriched uranium from Western countries to be used as fuel in its nuclear research reactor in Tehran.

Qin said the new resolution and a joint statement by the foreign ministers of the six countries confirmed the efforts made by Brazil and Turkey.

"China attaches great importance to the agreement and views it as a part of the diplomatic efforts made by the international community," he stressed.

The UN Security Council Wednesday adopted the resolution with 12 votes in favor. Brazil and Turkey, two non-permanent members of the Security Council, voted against the draft resolution while Lebanon, another non-permanent member, abstained.

- Commentary: Building a bright future with coherent effort (11<sup>th</sup> June)  
(Xinhua) -- The Shanghai Cooperation Organization's (SCO) annual summit ended here Friday, with the leaders of China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan agreeing to further enhance regional stability and seek common development.

Against the backdrop of complicated regional and international situations, it is both a necessity and the collective wish of these countries and their peoples to safeguard regional stability, and cooperatively promote social and economic advancement of the entire region.

The Tashkent declaration, issued at the end of the six-member summit, stressed the importance of constructive dialogues and cooperation among SCO member states, with a particular emphasis on countering new threats and challenges that have emerged in the security sector.

These threats include the "three evil forces" of terrorism, separatism and extremism, and the crackdown on drug trafficking, weapon smuggling and crossborder crimes.

The consensus reached between the leaders: that only the utter extermination of the "three forces" can guarantee an everlasting security of the region, has thus mapped out the direction for further deepening of counterterrorist cooperation among these countries within SCO's framework.

The Tashkent declaration, meanwhile, demonstrated member states' collective willingness to continue to minimize the impact of the global financial crisis and to promote economic development.

Building on the vital agreements reached at the 2009 Yekaterinburg summit, SCO member states over the past year have dedicated themselves to advancing regional and bilateral economic cooperation and boosting common prosperity through a series of anti-crisis measures and large loans.

In 2009, despite the severe after-effects of the global financial crisis, bilateral trade volume between China and Uzbekistan nonetheless managed to surge 18.9 percent to reach 1.91 billion U.S. dollars.

Although two-way trade between China and Russia, and between China and Kazakhstan inevitably slid last year, both trade figures have returned to rapid growth since the start of this year. Major China-Russia and China-Kazakh cooperative projects are also underway. All these are strong evidence that deepening pragmatic cooperation within the SCO plays an important role in helping the member countries survive the crisis and realize social and economic development.

With the SCO is to mark its 10th anniversary next year, cooperation between the member states in the fields of politics, the economy, security and culture will accordingly be raised to a whole new level.

Additionally, with the increasing clout of the bloc in the region, the SCO is expected to play a bigger role in maintaining regional security and prosperity.

Precisely as the Tashkent declaration has stated, the SCO "will continue to uphold the principle of peace, common development, equal cooperation, mutual respect and the idea of inclusion, to expand dialogue and cooperation with the international community, and to make unremitting efforts in strengthening global and regional security and stability, as well as realizing harmony and prosperity".

Therefore, it is totally reasonable to believe that, at this historic juncture, SCO member states will create and embrace a bright future with combined force in adherence to "the Shanghai Spirit."

- China, Norway hold dialogue on human rights, rule of law (11<sup>th</sup> June)

(Xinhua) -- China has vowed to continue to develop its human rights dialogue with Norway after the two nations concluded their 13th annual Roundtable on Human Rights and the Rule of Law here Friday.

Chinese Assistant Foreign Minister Liu Zhenmin briefed Norwegian representatives on Chinese achievements in improving people's livelihoods, reinforcing democracy, and constructing legal systems.

The human rights roundtable between China and Norway is a model for countries with different social systems and from different civilizations to conduct equal and friendly dialogue, Liu said.

China hopes to strengthen dialogue and exchange with other countries on human rights issues on the basis of equality and mutual respect to increase understanding, expand agreement and jointly promote the healthy development of human rights internationally.

Norwegian Secretary of State for Foreign Affairs Gry Larsen spoke highly of China's remarkable achievements with human rights, saying the two nations have conducted stable and effective cooperation in the field of human rights.

The Norway-China roundtable has served as a helpful platform for the two nations to discuss human rights issues and is conducive to the growth of bilateral ties, he said.

Larsen said Norway will work with China to further promote the roundtable.

During the two-day roundtable, nearly 70 officials and scholars from the two sides exchanged views on the rights of workers, prisoners and minorities.

Liu and Larsen also discussed human rights, covering such topics as freedom of speech, the rights of minorities and the role of non-governmental organizations.

China and Norway started discussing human rights issues in an informal setting in 1993. In 1997 the first formal Roundtable on Human Rights and the Rule of Law was held.

- Chinese president ends Uzbekistan trip (11<sup>th</sup> June)

(Xinhua) -- Chinese President Hu Jintao left the Uzbek capital of Tashkent Friday after paying a state visit to the Central Asian nation and attending a Shanghai Cooperation Organization (SCO) summit.

Hu is travelling to the Kazakh capital of Astana to continue his two-nation Central Asia trip.

During his stay in Tashkent, Hu and his Uzbek counterpart Islam Karimov met to discuss the current state and prospects of bilateral ties as well as international and regional issues of common concern.

The two leaders agreed during their talks to make more efforts to strengthen the friendly and cooperative partnership between China and Uzbekistan.

The two countries signed a series of agreements on economic and trade cooperation as well as other areas.

In Tashkent, Hu attended the SCO summit. The leaders of the SCO member states exchanged views on the world and regional situation, Central Asia security and stability, the international role of the SCO and its links with other multilateral organizations.

Hu delivered an important speech at the summit, calling for deepening of pragmatic cooperation among SCO members and safeguarding of peace and stability in the region.

Founded in 2001, the SCO consists of China, Russia, Kazakhstan, Krygyzstan, Tajikistan and Uzbekistan. Mongolia, India, Pakistan and Iran are observers.

This is Hu's second trip to the Central Asian state since he became the head of state of China in 2003. In June 2004, Hu visited Uzbekistan and attended a SCO summit in Tashkent.

- Chinese president calls for closer cooperation among SCO members (11<sup>th</sup> June) (Xinhua) -- Chinese President Hu Jintao on Friday called for enhancing cooperation among members of the Shanghai Cooperation Organization (SCO), urging new cooperation models and proposing identifying non-resource sectors as a new priority for economic cooperation.

"Over the past year, our practical cooperation in various fields within the SCO has been fruitful and has contributed greatly to our collective response to the international financial crisis," Hu said at an SCO annual summit in the Uzbek capital.

In his speech, the Chinese leader made a six-point proposal on boosting the cooperation.

Hu firstly called on the member states to strengthen their solidarity and mutual trust to consolidate the political foundation for the organization's development.

He said the SCO member states should keep increasing their strategic dialogue and policy coordination and cooperate closely on issues concerning sovereignty, security and development.

Secondly, Hu urged the SCO to step up its counter-terrorism efforts and build a safe environment for the organization's development.

The SCO members should "effectively increase the capability of fighting the 'three forces'" of terrorism, separatism and extremism in the region, Hu said.

Hu also called on the member states to enhance their efforts and cooperation in such areas as intelligence sharing, border management and control, anti-drug trafficking, transnational crimes and personnel training and exchanges.

As the third point, he said the potential of cooperation among SCO members should be fully tapped. Members should work to facilitate customs clearance, quality inspection and transportation, innovate new cooperation models, study ways to establish an SCO regional e-commerce platform and conduct joint studies on agricultural cooperation, he said.

"We propose that non-resource sectors be identified as a new priority for the SCO's regional economic cooperation," the Chinese president said.

Fourth, Hu said the SCO should expand friendly exchanges and firm up the cultural foundation for the organization's development.

China suggests a meeting of health ministers to deepen the cooperation on the prevention and treatment of epidemic diseases and public health, the president said.

He also said China is ready to provide more teachers, textbooks and training opportunities for the teaching and study of the Chinese language in SCO member states.

Fifth, the president urged improvements in institutional building and the decision-making mechanism for the development of the organization.

"China supports the SCO in enhancing legal and institutional building in order to better facilitate practical cooperation among member states," he said.

Sixth, Hu suggested promoting transparency and inclusiveness to create a favorable environment for the development of the organization.

Founded in 2001, the SCO consists of China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. Mongolia, India, Pakistan and Iran are observers of the organization.

At the Tashkent summit, the leaders and participants exchanged views on the global and regional situation, coordinated strategies for combating terrorism, separatism and extremism, and discussed ways to expand inter-member economic cooperation and set up an SCO admission mechanism.

Participants of the summit approved the Tashkent Declaration, the SCO Rules of Procedure, the regulation on procedure for future membership expansion and other documents.

- China, Russia seek to further bilateral ties (11<sup>th</sup> June)

(Xinhua) -- Chinese and Russian senior officials agreed to further promote the development of China-Russia relations of strategic cooperation and partnership at a reception here Friday.

Russia's embassy in China held a reception Friday to celebrate Russia's national day, which falls on June 12.

This year coincides with the 65th anniversary of the end of the Second World War, and also Chinese Language Year in Russia, said Hua Jianmin, vice chairman of China's National People's Congress (NPC) Standing Committee, in addressing the reception.

There are many challenges and opportunities for China and Russia during this time of great development, changes and adjustment, said Hua, who is also the Chinese president of the China-Russia Friendship, Peace and Development Commission.

China is willing to work with Russia to continuously advance relations of strategic cooperation and partnership, he added.

Russian Ambassador to China Sergey Razov said Russia-China relations have developed very well in recent times. There has been progress with regard to political mutual respect, trust, and support, economic and trading cooperation as well as cultural cooperation, he said.

"I believe bilateral ties will become even stronger through the joint efforts of Russia and China," Razov said.

- FLASH: KAN SAYS JAPAN TO DEEPEN STRATEGIC MUTUALLY BENEFICIAL RELATIONS WITH CHINA (11<sup>th</sup> June)

- Premier meets China-ROK children friendship group (12<sup>th</sup> June)

(Xinhua) -- Chinese Premier met with a group of friendship exchange between teenagers of China and the Republic of Korea (ROK) in Beijing on Friday, highlighting people-to-people exchanges between the two countries.

The group consists of 20 children from the ROK, mostly orphans, and 19 from the earthquake-affected regions of China's Sichuan and Qinghai provinces.

"Your innocent hearts are just like gold threads, which connect the children and the peoples of the two countries," said Wen after watching the performance by the children.

"There is one thing which needs no translation, that is hearty laugh and friendship. Friendship is the common language of our two countries and the whole world at large," said Wen.

"The sunlight belongs to you, and China-ROK friendship also counts on you," said Wen.

One team of 20 children from China's Sichuan province visited the ROK in May 2009, one year after a magnitude-8 earthquake hit the region. President Lee Myung-bak gave a warm welcome to the Chinese team.

- China, Kazakhstan agree to deepen strategic partnership, cooperation (12<sup>th</sup> June) (Xinhua) -- China and Kazakhstan on Saturday pledged concerted efforts to further deepen strategic partnership, expand comprehensive cooperation and strengthen coordination on regional and international affairs.

The commitment appeared center stage in a joint communique released by the two governments as Chinese President Hu Jintao rounded off his two-day state visit to Kazakhstan after holding friendly and in-depth talks with his Kazakh counterpart Nursultan Nazarbayev and other Kazakh leaders over bilateral relations and current regional and international situations.

Establishing a strategic China-Kazakhstan partnership based on equality and mutual trust was a long-sighted decision of historic significance, which would remarkably contribute to deepening comprehensive cooperation, enhancing friendship between the two peoples and safeguarding regional security, the two leaders said.

Pointing out that deepening the strategic partnership was a diplomatic priority for both countries and accorded with the fundamental interests of both peoples, the two sides agreed to further enhance high-level political dialogues and deepen all-round bilateral cooperation.

China applauded Kazakhstan's firm adherence to the one-China policy and its efforts to promote regional peace and stability and solve regional problems in Central Asia, while Nazarbayev expressed gratitude to Hu for China's long-running support for Kazakhstan's diplomatic initiatives.

The two presidents agreed their countries must deepen cooperation under both bilateral and multilateral mechanisms in fighting terrorism, separatism, extremism, organized transnational crimes, drug-trafficking, smuggling and other criminal activities, and thus enhance coordination in law enforcement, defense and security.

In view of new threats and challenges confronting regional security, the two countries vowed to maintain high-level coordination and consultation and jointly take responsive measures.

Meanwhile, the two sides agreed to broaden cooperation in regional and international affairs to create a favorable international environment for their national development.

China and Kazakhstan would also deepen coordination and collaboration within multilateral frameworks such as the United Nations (U.N.), the Shanghai Cooperation Organization (SCO) and the Conference on Interaction and Confidence-Building Measures in Asia and commit themselves to promoting peace, stability and development both regionally and globally, the communique said.

Noting their countries shared extensive common interests and similar stances over regional and international issues, the two heads of state emphasized the need to continue helping Kyrgyzstan revive its economy and providing the country with humanitarian assistance, and called upon U.N. and other world bodies to continue coordinating international aid to Kyrgyzstan.

The communique also praised the important role of the SCO in maintaining regional security and stability and promoting the development and prosperity of its member states,

adding that further efforts should be made to further tap its potential and ensure its steady development.

Regarding the global financial crisis, the two leaders lauded the timely and effective measures taken separately and jointly by the two governments to curb the effects, and agreed to optimize the structure of bilateral trade, improve investment environment and broaden the scope of cooperation to raise bilateral trade to its pre-crisis level or higher.

The two neighboring countries also expressed satisfaction with the successful implementation of large-scale cooperation projects in energy, minerals, power and railway and pledged effective measures to protect the safety and legitimate rights and interests of each other's nationals and corporations and, in doing so, to facilitate their pragmatic all-round cooperation and the implementation of major bilateral cooperation projects.

On cooperation in non-resource sectors, the two sides reaffirmed they would abide by a 2007 agreement to promote such efforts, and agreed to further enhance bilateral cooperation in machinery manufacturing, transport infrastructure, power plant construction, pharmaceutical industries as well as other fields. In order to help carry out these projects, the two countries also pledged to promote credit cooperation.

As to the energy sector, the two sides agreed to ensure the construction as well as the long-term and stable operation of major cooperation projects, including the China-Kazakhstan gas and oil pipelines.

At the same time, the two countries vowed to expand cooperation on the basis of equality and mutual benefit in nuclear power and renewable energies such as solar and wind power.

The two sides also agreed to fully explore the potential of cooperation in cross-border transportation via rail, road and air, and Kazakhstan invited Chinese companies to become involved in the construction of the bilateral and international transit corridors.

The two nations spoke highly of the completion and operation of the Horgos International Border Cooperation Center and agreed to facilitate corporate cooperation between the two sides in the facility.

The document also showed that China and Kazakhstan would actively coordinate with each other on the protection of utilization of border rivers and roll out more cooperation in a variety of other fields, including agriculture, tourism, education, health and culture.

China-Kazakhstan ties have witnessed rapid and healthy progress since the two countries established diplomatic relations 18 years ago. In 2005, the two countries established a strategic partnership, which ushered in a new stage of development in bilateral ties.

The Chinese president's latest visit to Kazakhstan came six months after he joined Nazarbayev in a ceremony in Astana marking the completion of the Kazakhstan-China natural gas pipeline project.

Hu flew to Astana on Friday from the Uzbek capital city of Tashkent, where he paid a state visit to Uzbekistan and attended a SCO summit.

- Sri Lanka, China vow to enhance cooperation (12<sup>th</sup> June)

(Xinhua) -- Sri Lankan Prime Minister D. M. Jayaratne and the visiting Chinese Vice Premier Zhang Dejiang stressed here on Friday to enhance the two friendly nations' cooperation in a wide range of areas including economy, education, culture and international affairs.

Jayarathne told Zhang that Sri Lanka's economy has been greatly benefited by some mega-projects funded by China in recent years. He also expressed his gratitude to China's participation in Sri Lanka's economic rebuilding after the conclusion of a 30-year-old civil war.

The Sri Lanka prime minister said Sri Lanka treasures the friendship between the two countries and unswervingly supports China on issues of her core interests.

Zhang congratulated Sri Lanka for the end of the civil war, as well as the steady progress in rebuilding and social-economic development.

He said China hopes to continue to increase friendly exchange between the two countries and enhance cooperation in the areas of infrastructure, industry, communication, energy, education, culture, tourism, among others.

Zhang also proposed the two countries to enhance multilateral cooperation in the international arena to protect the just rights and interests of the developing nations.

They also witnessed the signing of several economic and commercial cooperation agreements after their talks.

Sri Lankan speaker Chamal Rajapaksa held talks with Zhang earlier on Friday.

The Chinese vice premier arrived in Colombo Thursday night for a three-day visit to Sri Lanka, the second stop of his four-nation tour which will also take him to Greece and Austria. He visited Pakistan before his arrival to Colombo.

## **Economic front**

- Honda's China strike a lesson for Japan (6<sup>th</sup> June)

After an unprecedented strike log jammed Honda's China production line, Japanese firms in the country may need to redraw their plans in a growing market that has emboldened low-wage workers, analysts say.

As China's economy surges, demands for higher wages are posing a headache for Japanese companies facing higher costs but could also be a boon for others banking on rising incomes to spur demand for high-quality goods.

Japan's number two carmaker on Wednesday restarted operations at its auto parts factory after offering a 24 percent pay rise to placate staff who had walked out on May 27.

But Honda's Chinese assembly joint ventures, Guangqi Honda Automobile and Dongfeng Honda Automobile, remained closed due to a lack of key components, the company said. Honda produces 650,000 vehicles per year in China but it has lost thousands of units because of the shutdown.

"We never expected something like this would happen," said Tokai Tokyo Research Centre auto analyst Mamoru Kato.

After the Honda strike "Chinese workers will likely be encouraged to start making more demands and such situations will inevitably increase production costs there," he added.

According to the All-China Federation of Trade Unions, nearly a quarter of Chinese employees have not had a raise in five years.

Labour issues in China have come to the forefront in recent weeks after suicides at Taiwanese high tech maker Foxconn, which counts Dell, Sony and Panasonic among its clients, forced it to give staff a 30 percent rise.

The unrest has raised questions about working conditions for the millions of employees in China's factories, sparking calls for better oversight from those who benefit from Chinese labour and a ban on unions.

"As the Chinese economy grows and people's income rises, companies are now facing the need to review their strategies," said Mizuno Credit Advisory auto analyst Tatsuya Mizuno.

Yang Lixiong, professor at School of Labor and Human Resources of Renmin university in Beijing said opportunities at foreign companies are limited for Chinese staff.

"In the case of Honda, the management is mostly Japanese. It's very hard for local staff to work their way up. In addition to that, salaries are very low and working conditions are not good," he added.

To curb the effects of rising wages Japanese businesses are harnessing economies of scale that would effectively bring down unit costs.

Nissan chief executive Carlos Ghosn recently announced plans to ramp up production to more than one million cars a year in China by 2012.

Honda sold 576,223 vehicles in China last year, up 23 percent year-on-year and Toyota saw sales rise 21 percent.

Fashion retailer Uniqlo aims to open 1,000 stores in China by 2020 and achieve more than 10 billion dollars in sales.

And Sharp said it will double the number of outlets in China for its popular Aquos televisions to 10,000 this year and boost its lineup to more than 30 models from the current 24.

But rising wages are not necessarily bad as richer consumers have more purchasing power, analysts said.

Japan, which has long had a reputation for craftsmanship, "can only compete in the high-end market as it has already lost out to local rivals in terms of affordability," Okasan Securities strategist Hirokazu Fujiki recently said.

"Japanese companies need to win out by targeting the mid-to-high level consumers."

They must also address Chinese resentment against Japanese workers due to their long and tense history.

Chinese Honda staff complain Japanese workers in the same factory earn 50 times more than them.

"Chinese workers seem to have a strong sentiment of being discriminated by Japanese employees," said Mizuno.

"This may become a more emotional, fundamental issue, which could potentially develop into a political problem," he warned.

<http://news.smh.com.au/breaking-news-business/hondas-china-strike-a-lesson-for-japan-20100606-xm9z.html>

- Growing confidence in Shanghai market (7<sup>th</sup> June)

The thinking and behavior of investors gives shape to the bottom of the market and its recovery. Markets react more quickly to economic developments because they efficiently aggregate the changing emotions of millions of investors. Fundamental data and economic reports rely on less efficient data collection methods and the result is a delayed understanding of changing market conditions. Markets, and market behavior, are leading indicators of changes in the economy.

This market leadership is shown in the developing behavior of the Shanghai Index after the rapid fall from 3,000. As the market loses value it encourages particular types of behavior from investors as they see an increase in value and opportunity as prices fall. These end-of-trend behaviors manifest themselves in price activity as a small group of repeated patterns. Behaviors repeat and so market patterns also repeat and this gives smart investors a leading signal for the best time to re-enter the market.

The Shanghai Index is developing a classic breakout consolidation pattern with four features. The first feature is the weak relative strength index (RSI) divergence pattern. This is a delayed signal because the low in the RSI occurred two weeks after the low in the index. This suggests traders need to use caution.

The second feature is the breakout from the downtrend line. This strong breakout did not develop good momentum. A small resistance level developed near 2,680 and it is a reference point for future trend development. A move above 2,680 is confirmation of strength in the new uptrend.

The third feature is the use of the downtrend line as a new support area. The fall from 3,000 used the trend line as a resistance area. After the breakout above this line and the retreat from 2,680 the trend line acts as a support level. The market slides lower until it hits a long-term horizontal historical support area.

Often the previous low of the trend provides a support area for the successful trend rebound. This is a double-bottom style trend reversal pattern. A double-bottom rebound develops when the current market retreat rebounds from near 2,481. This has a reduced probability because 2,481 is not an historical support area. The next strong historical support area for the Shanghai Index is near 2,300. This increases the probability the market will continue to slide down the downtrend line towards the 2,300 level. There is a

strong probability the market will temporarily dip towards the historical support at 2,300 and then rapidly rebound. This dip could develop as a one-day fall or rebound, or a three-day pattern. The key features confirming the temporary nature of this dip are the reduction in volume as the market falls and the increase in buying volume as the index rebounds. A rapid dip below the 2,481 level does not invalidate the development of the consolidation pattern between 2,481 and 2,680.

The consolidation pattern is a very bullish development because it lays the foundation for the stronger sustainable trend rebound above 2,680. The market pattern shows investors are developing renewed buying confidence in the Shanghai market.

The author is a well-known international financial technical analysis expert.

(Source: China Daily)

- Low carbon index launched in China (7<sup>th</sup> June)

(Xinhua) -- China Beijing Environment Exchange (CBEEEX) and Vantage Point Partners, a clean technology investment fund, have jointly launched China's low carbon equity index.

China Low Carbon Index, covering 35 companies in nine fields such as solar energy and wind power, is the first index denominated by Renminbi to reflect the development of China's low carbon industry and its level of securitization, said Xiong Yan, CBEEEX chairman.

- China's farm produce prices drop five weeks in a row (8<sup>th</sup> June)

(Xinhua) -- Farm produce prices in China's 36 large and medium-sized cities have fallen for five consecutive weeks, the Ministry of Commerce said Tuesday.

In the week ending June 6, farm produce prices dropped 0.6 percent in those cities from a week earlier, said a statement posted on the ministry's website.

Vegetable prices dropped sharply last week with the wholesale prices of 18 kinds of vegetables tumbling 7 percent from a week earlier, the statement said.

Food prices account for 34 percent of the weighting in China's consumer price index (CPI), a major gauge of inflation

China is yet to report its CPI figure for May, but analysts expect the figure to exceed the 3-percent government target partly because of a low comparison base last year.

China's CPI accelerated to 2.8 percent in April, up 0.4 percentage points from March.

The producer price index (PPI), a major measure of inflation at the wholesale level, increased 6.8 percent in April from a year earlier. The government is due to release major economic data for May this week, including the CPI, PPI and retail sales.

- China playing increasingly influential role in global economy: finance minister of Canada (8<sup>th</sup> June)

(Xinhua) -- China is increasingly influential with its leadership speaking out on the world stage for its fiscal consolidation, Jim Flaherty, the minister of finance of Canada, said here Monday, after his trip to China and Republic of Korea.

He made the above remarks when answering Xinhua's question about his expectation of China's role in the global economy as well as the oncoming G20 Leaders' Summit which will be staged from June 26 to June 27 in Toronto.

"China is playing an increasingly influential role in the world economy," said Flaherty, adding that as a very large emerging country, China is encouraging the growth of its domestic demand and this is also good for the world economy, while some developed countries are carrying too much debt.

Flaherty's visit to China took place three weeks before the G-20 Leaders' Summit in Toronto, and a day before G-20 finance ministers and central bank governors meet in Busan, Republic of Korea.

He told Xinhua that he met with Zhou Xiaochuan, governor of the People's Bank of China, and Xie Xuren, his Chinese counterpart, when he was in China.

"They were both actively participating with expectation to the economic framework we need to do globally in order to have balance," Flaherty told Xinhua.

"As we work to ensure a fledgling recovery takes root, this nation's contribution will become even more important," said the minister.

He also mentioned that there is also some pressure on China and some other Asian nations to permit their currency more flexible and he wished to see more flexibility overtime.

In the past five years, Canada's exports to China have surged nearly 55 percent, and China is now Canada's second largest merchandise trading partner and its third largest export market.

Investment potential was further improved in April, when the China Banking Regulatory Commission designated Canada as a destination for Chinese banking wealth management business under the Qualified Domestic Institutional Investor program, giving Canadian financial institutions access to up to eight billion U.S. dollars in investment capital.

- China reports big rise in auto sales in January-May period (8<sup>th</sup> June)

(Xinhua) -- Automakers in China saw auto sales climbed 53.25 percent from a year earlier to exceed 7.5 million units in the first five months of the year, the China Association of Automobile Manufacturers (CAAM) said in a statement released Tuesday. Auto production also grew 55.39 percent year on year in the January-May period, said CAAM.

The association estimated that both auto sales and production in China would exceed 15 million units this year, according to the statement.

- China's natural gas consumption to skyrocket in coming 10 years: PetroChina (8<sup>th</sup> June)

(Xinhua) -- Natural gas consumption will account for 10 percent of China's annual total primary energy consumption by 2020 from the current 3.9 percent level, PetroChina Company Limited Chairman Zhou Jiping forecast Tuesday.

Chinese demand for natural gas will increase over the coming 10 years, and by 2020, China will consume 300 billion cubic meters of natural gas a year, Zhou said at the 2010 International Oil and Gas Conference held here.

Annual increases in PetroChina's natural gas proven reserves have exceeded 400 billion cubic meters for three years in a row, Zhou said.

The company produced 68.3 billion cubic meters of natural gas in 2009, accounting for 80 percent of the nation's total production.

- China to further promote cross-border yuan trade settlement (8<sup>th</sup> June)

(Xinhuanet) -- The market for cross-border yuan trade settlements has begun to take shape in Guangdong's Pearl River Delta, according to a report released by the People's Bank of China (PBOC) on June 8.

According to the "2009 China Regional Financial Performance Report," by the end of 2009, a total of 291 cross-border transactions involving nearly 1.5 billion yuan had been settled in yuan in Guangdong province, which greatly promoted the development of foreign trade in Guangdong.

The PBOC suggested in the report that the next step is to conduct pilot runs of cross-border yuan trade settlement services in more regions at home and abroad as soon as possible, in order to encourage more companies to participate and to strengthen Hong Kong's role as a cross-border yuan trade settlement hub.

With the State Council's approval, four cities in Guangdong -- Guangzhou, Shenzhen, Zhuhai, and Dongguan -- first started trial runs of cross-border yuan trade settlement services on July 7, 2009. According to the report, these cities have established settlement platforms and are preparing to launch relevant financial products.

At the end of 2009, Guangdong had conducted cross-border transactions settled in yuan with 11 countries and regions in Asia, Europe and South America. The yuan's sphere of influence is constantly expanding.

The use of yuan as a settlement for international trade has also promoted trade facilitation. Many companies said the money was transferred much faster when transactions were settled in yuan instead of foreign currencies.

The PBOC said it will further strengthen communications with foreign central banks and enhance monetary cooperation. Moreover, stronger measures will be taken, including accelerating the construction of Hong Kong's offshore yuan market, encouraging foreign banks to develop yuan derivative products, opening up domestic financial markets in moderation and building multi-purpose offshore yuan financial markets.

When developing the cross-border yuan trade settlement business, the PBOC will also improve the monitoring system of the cross-border yuan flows. The system needs basic statistical techniques, various early warning indicators, and the overall regulatory principles so that it can conduct real-time monitoring of the risks involved in cross-border yuan flows.

(Source: People's Daily Online)

- China's May consumer confidence weakens amid market fluctuations (9<sup>th</sup> June)

(Xinhua) -- Chinese spent less in May amid volatile stock market fluctuations in the wake of the European sovereign debt crisis, according to the latest reading of an index that gauges consumer confidence published Wednesday.

The Bankcard Consumer Confidence Index (BCCI), compiled by Xinhua News Agency and national bank card association China UnionPay, slid to 86.39 in May, down 0.41 points from April.

Compared with the same period last year, the May BCCI figure was 0.89 points higher. The index hit a record high of 86.89 in March.

The reading in May indicated Chinese bank card spending was affected by the drop in domestic and overseas stock markets during the period, said the BCCI report.

The benchmark Shanghai Composite Index tumbled 9.7 percent in May after the Chinese government introduced a series of tightening measures to dampen the booming property sector.

A sense of uncertainty about the global economy had spread to China as well, due to the debt crisis in Greece and other European countries, said the report.

Bank card spending had dropped on non-essentials items, the report said, without giving specific details.

The report said the adjustment of the capital market would only have a short-term impact on consumer confidence in China because the economic fundamentals were sound.

"Domestic demand is rising, industrial output is on track of steady growth while employment in the manufacturing industry is also improving," it said, adding: "those are very important factors to stabilize consumer confidence."

Xinhua News Agency and China UnionPay jointly started compiling the BCCI index in April 2009 based on bank card transaction data and analysis of structural changes in urban consumption.

- Chinese shares post biggest daily gain in two weeks on reported strong export data (9<sup>th</sup> June)

(Xinhua) -- Chinese stocks posted their biggest daily gain in two weeks Wednesday following market rumor about strong export growth in May, which eased market concerns over weakening economic growth.

The Shanghai Composite Index closed at 2,583.87 points, up 69.92 points, or 2.78 percent from the previous close.

The Shenzhen Component Index ended at 10,346.27 points, up 307.49 points, or 3.06 percent, from the previous close.

Total turnover expanded to 196.07 billion yuan (28.71 billion U.S. dollars) from 142.39 billion yuan on the previous trading day.

Gainers outnumbered losers by 869 to 22 in Shanghai and 868 to 93 in Shenzhen.

Market excitement about positive export data spread on Wednesday ahead of the official release. China's export growth is rumored to have surged in May about 50 percent year on year -- higher than market expectations.

The official export data is scheduled to be released Thursday.

Bank shares led the rise by surging 6.02 percent, driven by the rumor that China Central Huijin Investment Ltd., an investment arm of the government, would increase its stake in the banking sector.

China CITIC Bank and Bank of Ningbo rose by the daily limit of 10 percent to 5.51 yuan and 11.47 yuan, respectively. Bank of China, China's third-largest lender, went up 3.42 percent to 3.63 yuan per share.

China's securities regulators Wednesday began reviewing the initial public offering application of Agricultural Bank of China Limited (ABC), the country's main rural lender. According to the preliminary prospectus submitted to the CSRC, the ABC plans to sell up to 22.24 billion A-shares on the Shanghai Stock Exchange and up to 25.41 billion shares in Hong Kong, excluding an over-allotment option.

The bank is yet to decide its share price range.

Analysts believe that the bank's IPO would bring further fluctuations to the A-share market, which is still tracking downward.

But according to Li Kaifu, economist with Chinese Academy of Management Sciences, said the IPO could also help stabilize the market by attracting more capital outside the market.

- Chinese mainland, Taiwan to hold third expert-level talks on economic pact (10<sup>th</sup> June)

(Xinhua) -- The Chinese mainland and Taiwan have decided to hold their third round of expert-level talks on Sunday, to pave the way for a long-awaited economic and trade pact that is expected to boost cross-strait trade.

Experts from both sides will discuss the framework and the clauses of the Economic Cooperation Framework Agreement (ECFA), said a statement from the mainland's Association for Relations Across the Taiwan Straits (ARATS) Thursday.

The ECFA is intended to normalize mainland-Taiwan economic ties and bring the two economies closer.

Goods and service trade in the "early harvest program" as well as follow-up arrangements will also be discussed at the meeting, the statement said.

The first round of talks took place in January in Beijing and the second round was held two months later in Taipei.

A statement released after the second round of talks said the two sides had reached "a series of agreements," including pledges to consider each other's most urgent and necessary issues in deciding the list of products and services in the early harvest program.

On March 17, Yang Yi, the spokesman of the State Council Taiwan Affairs Office, told a press conference that the two sides should work together to complete the pact in June.

On April 2, Chiang Pin-kung, chairman of Taiwan's Straits Exchange Foundation (SEF), said the SEF hoped to see the signing of the ECFA by the end of June.

- CNPC signs gas supply agreement with Uzbek oil company (10<sup>th</sup> May)

(Xinhua) -- The China National Petroleum Corporation (CNPC), parent of PetroChina, announced Thursday it has signed a framework agreement with Uzbekistan oil company Uzbekneftegaz to buy 10 billion cubic meters of natural gas annually.

CNPC general manager Jiang Jiemin signed the agreement Wednesday with Uzbekneftegaz board chairman Ulugbek Nazarov in the Uzbekistan capital Tashkent, a statement on the CNPC website said Thursday.

The agreement was signed during Chinese President Hu Jintao's visit to the country. Hu is attending the 10th annual summit of the Shanghai Cooperation Organization on June 10-11 in Tashkent.

The statement did not provide details on the value of the purchase agreement nor on a specific date when the supply would be initiated.

The two sides would first work to connect Uzbekistan's natural gas transmission system with the China-Uzbekistan natural gas pipeline, the statement said.

The China-Uzbekistan gas pipeline is part of the larger 1,833-kilometer China-Central Asia gas pipeline that opened in December 2009, linking gas fields in Turkmenistan, Uzbekistan, and Kazakhstan to northwest China's Xinjiang.

- China to strengthen monitoring of cross-border capital flows: FX regulator (10<sup>th</sup> June)

(Xinhua) -- China's foreign exchange regulator said Thursday it will strengthen monitoring of cross-border capital flows to reduce risk.

The regulator will keep a close watch on the economic and financial situation home and abroad this year, the State Administration of Foreign Exchange (SAFE) said in its annual report on management of foreign exchange posted on its website.

It will also enhance its monitoring of abnormal cross-border capital flows by cracking down on illegal private banks and internet-based speculation in foreign exchange.

The SAFE will maintain a prudent approach to managing foreign currency reserves and will continue to improve its diversification strategy.

China's balance of payments continue to expand, albeit slowly, despite the impact of the global financial crisis.

At the end of 2009, China's foreign exchange reserves hit 2.4 trillion U.S. dollars, a 453 billion U.S. dollar increase from the end of 2008.

China had gold reserves of 1,054 tonnes at the end of last year, the fifth largest in the world.

Although gold has commodity and monetary properties, the global gold market is relatively small and illiquid, the report noted, adding that because of its volatile price and high cost of holding and trading, gold has limited utility in asset allocation.

- China labour unrest may signal end of cheap manufacturing (11<sup>th</sup> June)

China's worker unrest showed no signs of abating on Friday, with about 500 employees protesting at a Honda lock factory, in actions that point to the end of an era of cheap labour for some of the world's biggest household names, experts say.

Incidents such as the 10 suicides at a factory making Apple's best-selling iPhone, as well reports of "slave-labour" type conditions at a factory manufacturing Xbox controllers and mice for Microsoft have put the spotlight back on the abuses of workers in the world's manufacturing hub.

China's growth model has in part relied on its abundance of migrant workers prepared to work for a pittance, sometimes in appalling conditions.

The factories have been able to churn out goods at rock-bottom prices, helping big companies to keep down prices on goods ranging from toys, to furniture and shoes, while still making healthy profits.

"Multinational companies have got their way for the past 20 years, but maybe now that is changing. Something is happening," said Charles Kernaghan, director at the Pittsburgh-based non-profit National Labor Committee. "It will be very interesting to see how far it goes."

Workers at the Honda Lock factory in Zhongshan, near Macau, turned up at the factory on Friday but refused to work, calling instead for higher wages and the right to form a trade union, Reuters reported.

Strikes were reported this week at a Taiwanese-owned sporting goods supplier in Jiangxi province, and at Japanese sewing machine maker Brother Industries in Xian -- both far from China's wealthier regions near Hong Kong and Shanghai.

Foxconn, the factory making Apple's iPhone, has agreed to up wages for its workers by almost 70% from October in an attempt to stop the suicides. Pay will rise to 2,000 yuan (\$300 US) a month from 900 yuan.

While another Honda factory in China on Tuesday reached an agreement with workers, ending a two-day strike over pay.

Management at the Foshan Fengfu Autoparts Co. Ltd. In the southern province of Guangdong, promised to draw up a plan for wage adjustments in 10 days and not fire any workers involved in the strikes.

"Foxconn decided to increase its wages by 70% and this should have an impact on the whole situation," said Li Qiang, executive director of New York-based China Labour Watch. "In the future I think there will be more and more strikes and collective action as Foxconn encourages them to go for higher wages."

China watchers said they are sensing a change in attitude amongst Chinese workers. The younger generation, usually the pampered only offspring as a result of the one-child policy, tends to have higher aspirations than their parents.

The government, concerned about social unrest and the growing gap between rich and poor, has also recently raised minimum wages in many Chinese cities, including the capital Beijing.

On Wednesday, Shenzhen City, bordering Hong Kong, increased minimum wages by 10% to 1,100 yuan per month (\$161.04 US dollars) in July, Xinhua reported.

The average hourly factory wage in China is about 75 cents an hour, compared with minimum hourly wages ranging from \$7.75 to \$10.25 in Canada.

Although wages and conditions may improve, few predict the unrest will be the start of a move to a free trade union movement in China.

"The Chinese government limits the development of labor organisations," Li said. "They do not have a base to form associations across various regions. The workers will push to ensure their material needs are met but the government is still very much in control."

Also, while the spotlight is on Chinese factories, worker abuse in the agricultural sector may be overlooked, said Verite, a U.S.-based non-profit organization that monitors labour rights abuses.

"We are increasingly trying to put the attention on agricultural workplaces that are entering the supply chain," said Verite Executive Director Dan Viederman.

“You tend to think computers and consumer goods, but there tend to be a lot of foods and vitamins that are entering the supply chain from unexamined worker conditions. Agriculture tends to be of a higher risk.”

<http://money.canoe.ca/money/business/international/archives/2010/06/20100611-112511.html>

- Chinese exports surge in May (11<sup>th</sup> May)

Big numbers came out of China Thursday as the country’s exports increased a whopping 10.4% in May, reaching a record high of \$136 billion.

The surge caused a massive jump in China’s trade surplus, which widened sharply to \$19.5 billion, up from \$1.7 billion in April.

“The cautious comments three months ago made from Chinese commerce minister saying that exports would take two to three years before returning to their pre-crisis level turned out to be way to pessimistic,” says a note by Yanick Desnoyers of National Bank Financial Group.

“For now, the European situation has had very little impact on Chinese trade. Although about 20% of Chinese exports go to the Euro area, these have increased from \$22.3 billion in April to \$25.9 billion in May.”

The surge in imports to Europe is particularly interesting given the euro’s move against the yuan in recent months, notes Citigroup analyst Steven Englander.

“It may be another indication that European demand is holding up better than would be expected given the problems in debt markets,” Mr. Englander says in a research note.

Chinese exports to the U.S. also rose in May, climbing to \$24.1 billion after hitting \$20.5 billion in April.

<http://business.financialpost.com/2010/06/11/chinese-exports-surge-in-may/#ixzz0qYuRtEvF>

- China striving to reach 11th Five Year Plan energy-saving goals: top planner (11<sup>th</sup> May)

(Xinhua) -- China is sparing no effort to meet its 11th Five Year Plan (2006-2010) energy-conservation goals, a senior official said Friday.

Xie Zhenhua, deputy minister of the National Development and Reform Commission (NDRC), the country's top economic planning agency, made the remarks quoting Premier Wen Jiabao, a statement posted on the NDRC website said.

According to the plan, China will cut its per unit of GDP energy consumption by 20 percent from 2005 levels by the end of 2010.

No matter how difficult it may be, the promise must not be broken, the statement said.

Data shows China's energy consumption per unit of GDP dropped 2.2 percent last year, failing to meet the annual target of 4 percent.

The NDRC called on companies to make greater efforts in the remaining six months of the year.

The NDRC will ask energy-intensive enterprises to shut down or curtail production.

The planner will promote energy-conserving industries with preferential policies, according to the statement.

- China May economic data complicates future policymaking (11<sup>th</sup> May)

(Xinhua) -- Economic data for May released Friday showed that China was eyeing rising inflation and slowing economic growth, indicative of what the "the most complicated year" meant for the country's economy.

Experts said the mixed bag of economic data would make it difficult for China's policymakers in the coming months.

China's consumer price index (CPI), a main gauge of inflation, rose in May to 3.1 percent, the highest since November 2008, according to figures released by the National Bureau of Statistics (NBS) Friday.

The NBS also reported that growth of industrial value-added output slowed to 16.5 percent in May from 17.8 percent in April.

Urban fixed assets investment for the first five months rose 25.9 percent year on year, 0.2 percentage points down from the first four months.

### **INFLATION QUICKENS**

The 3.1 percent CPI growth was up 0.3 percentage points from April's rise of 2.8 percent. In the first five months, China's CPI rose 2.5 percent year on year.

The May figure exceeded the government's year-average target of 3 percent set in March.

The producer price index (PPI), a major measure of inflation at the wholesale level, rose 7.1 percent year on year in May, up 0.3 percentage points from April's 6.8 percent.

In May, the CPI in China's urban areas increased 2.9 percent and in rural regions by 3.3 percent. Food prices, which accounted for about a third of the weighting in calculating the CPI, rose 6.1 percent.

China's inflation has stood above 2.25 percent, the one-year deposit interest rate set by the government, for four consecutive months, which ignited growing expectations of interest rate hikes.

NBS spokesman Sheng Laiyun said the higher inflation was because of a low comparison basis from the same period last year and was pushed up by food price hikes.

However, he said the inflationary pressure was easing and China had the basics for keeping prices under control this year.

Declining commodity prices amid the European sovereign debt crisis would reduce the inflationary pressures, he said.

"Although China faces quite a lot of pressure, the 3-percent target is still possible," he said.

Lu Ting, China economist of the Bank of America-Merrill Lynch, said in an e-mailed note that China's rising inflation could be interpreted negatively by markets, and would be a risk for a few more months.

"We don't expect a knee-jerk reaction from policymakers: interest rates won't be hiked until the fourth quarter this year," he said.

Xiong Peng, researcher at the Shanghai-based Bank of Communications, China's fifth largest lender, said that China's CPI was expected to peak in June or July, and average at 3 to 4 percent for the whole year.

The government was likely to postpone raising interest rates to the third quarter, he added. The People's Bank of China, or the central bank, said new yuan-dominated loans in May fell to 639.4 billion yuan (93.6 billion U.S. dollars) from 774 billion yuan in April.

### **SLOWER ECONOMIC GROWTH?**

Growth of factory production and fixed-asset investment contracted, illustrated by slower growth of auto sales and a cooldown in the property market, government data showed.

Chinese auto sales in May rose 28.35 percent from a year earlier, but the figure was down 7.5 percentage points from April. The property market saw slower growth in property prices at 12.4 percent in May from April's 12.8 percent, and a decrease of floor space sold due to government tightening measures.

Moody's Analytics said in a note that reduced bank lending was crimping business investment, while infrastructure investment was starting to ease as government projects were completed.

"With this trend in place and Chinese authorities actively working to cool growth amid emerging inflation pressures, fixed investment is expected to play a smaller part as a driver of economic activity later this year," according to the note.

It also said slower industrial output growth was in response to gradual tightening measures, adding "this is not necessarily a bad thing. The apparent moderation in industrial production growth will help to contain these inflationary pressures."

The gradual and orderly deceleration to date provides hope that Chinese policymakers would be able to engineer a soft landing and prevent the economy from imploding, it said. China's domestic demand remained robust, as retail sales, another major driver of the country's economy, quickened its growth to 18.7 percent in May from 18.5 percent in April.

Experts attributed the growth to a series of incentives, including subsidies and tax breaks for home appliances and cars.

Exports also staged a strong growth in May surging 48.5 percent from a year ago in May, faster than the 30.5 percent growth in April.

### **POLICY OUTLOOK**

China was facing the "most complicated" economic conditions this year and the government would be "very cautious and flexible" in choosing when to withdraw the stimulus policies, Chinese Premier Wen Jiabao said in March.

The country's gross domestic product (GDP) expanded 11.9 percent year on year in the first quarter of this year after a growth of 8.7 percent in 2009.

The World Bank forecast GDP growth at 9.5 percent for this year, according to its report published on June 9.

Zhu Baoliang, chief economist of the State Information Center, said currently the economy was facing "a rather complicated situation and huge uncertainties," so the stimulus policies needed to be retained.

The government has reiterated to continue its proactive fiscal policy and moderately loose monetary policy, and vowed to make proper adjustments according to changes in economic conditions.

The central bank said earlier this month that the foundation of China's economic recovery was not solid and warned that the expanding European sovereign debt crisis and international trade frictions were some of the risks that might have a significant impact on China's economy

The soft landing of China's economy was particularly important in light of recent international events, including the sovereign debt crisis in Europe and relatively weak labor market in the U.S, the Moody's Analytics said.

"The global economy will continue to rely on China as it was major growth driver for some time to come," it said.

- WB approves loans to support sustainable development in China's rural areas (11<sup>th</sup> June)

(Xinhua) -- The World Bank (WB) has approved loans of 250 million U.S. dollars to support sustainable development in poor rural areas and to improve urban transport in China, the bank's China office said Friday.

The WB will give 100 million U.S. dollars to the Sustainable Development in Poor Rural Areas Project, to be run in Chongqing municipality and provinces of Henan and Shaanxi.

The loan is supplemented by a grant of 4.265 million U.S. dollars from the Global Environment Facility to improve sustainable land resource management and climate change adaptation in the three regions.

This is the fifth direct poverty reduction project supported by the World Bank in China over the last 15 years.

The other 150 million U.S. dollars from the WB will be used to help improve urban transport and road safety in Taiyuan, capital of Shanxi Province.

The loan will be part of a total investment of 330 million U.S. dollars in the project.

- Honda says China plants operating despite strike (12<sup>th</sup> June)

(Reuters) - Honda Motor's ([7267.T](#)) Chinese car plants are operating normally and expected to stay open this weekend, its China spokesman said on Saturday.

Production at two of its Chinese car factories was idled for two days this week due to a shortage of parts from a strike-hit supplier.

"Production is normal today and I expect things to run according to schedule on Sunday," Takayuki Fujii said.

The official Xinhua news agency reported that a strike at another parts supplier, a lock factory, continued on Saturday and could halt Honda's car assembly operations in China.

It quoted sources as saying senior executives of [Japan](#)'s second-largest carmaker would arrive at the supplier's plant in south China on Sunday to negotiate with workers.

Fujii said discussions with workers at the factory were going on but did not specify how the strike would affect production next week. Saturday and Sunday are officially work days in China, ahead of a three-day public holiday.

Xinhua reported that a spokesman for Honda Motor (China) Investment Co. Ltd., the owner of the lock plant, said on Friday: "The current inventory of locks can only last until Saturday and the company has yet to set production plans for any time after June 13."

On Friday, hundreds of workers at Honda Lock, which makes locks for Honda cars in the city of Zhongshan, in Guangdong province, refused to start work and demanded higher pay and the right to choose their own representatives instead of state-sanctioned unions seen as subservient to management.

The strike continued at the plant on Saturday with workers saying management had not agreed to their wage demands. Dozens of police were at the scene but there were no clashes.

"We are still on strike because we haven't got a fixed conclusion yet. We were supposed to have a meeting today with the management, but the workers didn't want to go in because they were scared that the security guards would lock them in the factory," said Lin Wenwu, a 26-year-old worker.

"All the frontline staff are striking, about 1,200 to 1,300 of us," Lin said.

"We want them to increase our benefits. I don't think that's unreasonable. But the first thing they did was just to give us 100 yuan (\$14.64) more to supplement our pay. The rest didn't change."

Labour unrest has rippled across some foreign-owned factories in China as a new generation of migrant workers presses for more of the nation's growing wealth. [ID:nTOE65902W]

The Communist Party's propaganda department issued a gag order on May 28 forbidding mainland media from reporting on any strikes, as it fears the destabilising impact of the unrest, the South China Morning Post reported on Saturday.

The newspaper cited editors and reporters from major mainland newspapers, saying they have been banned from reporting or commenting on the latest wave of strikes.

The gag order followed days of extensive coverage by the mainland media of the first Honda strike in the city of Foshan, part of China's Pearl River Delta, in late May.

(Reporting by Chris Buckley in BEIJING, Fang Yan in SHANGHAI, [Sui-Lee Wee](#) and [James Pomfret](#) in HONG KONG; Writing by Jacqueline Wong; Editing by [Janet Lawrence](#))

<http://www.reuters.com/article/idUSTOE65B00620100612>

- IRAQ – CHINA Great opportunities for Chinese oil firms in Iraq (12<sup>th</sup> June)

Western companies tend to shy away because of security considerations and political instability. This has given Beijing a leg up to secure access to new energy sources even if gains are long-term. Increasingly, China is also a big player in the energy markets of the Arabian Peninsula.

China's oil demand is expected to grow nearly 45 per cent in the next five years, the International Energy Agency (IEA) said in its latest oil market report. Now the mainland also plans to raise its profile in Iraq to meet its ever-increasing energy needs, filling the gap left by Western oil companies who are holding up because of concerns over terrorism. Energy consumption worldwide fell by 1.1 per cent last year, but China bucked the trend with a 6.7 per cent rise to 8.6 million barrels per day (bpd), the latest British Petroleum data show.

Total oil demand in China, the world's fastest-growing major economy, could reach 9.2 million bpd this year, an 8.5 per cent increase from last year's level, the IEA predicts.

China is expected to increase its equity in energy-rich regions, because of a robust rise in its oil consumption, but also because of the European debt crisis and the BP oil spill in the Gulf of Mexico.

In Iraq, home to the world's third-largest proven reserves of crude, China was not player when the country was under Saddam Hussein. Even so, Beijing was an outspoken critic of the US invasion. Ironically, now it is becoming its greatest beneficiary.

Recently, Chinese companies snapped up three contracts, shrugging off security risks that led Western firms to stay away.

Out of 12 deals signed since 2003, China snapped up four, plus a fifth one with the Autonomous Government of Iraqi Kurdistan, perhaps the Iraqi region with the greatest potential for oil.

Experts note that Chinese oil companies, both state- and privately-owned, care first and foremost about oil, dismissing security risks and host countries' political instability.

The result of such efforts is that about half of China's oil comes from the region, especially from Saudi Arabia and Iran (its third-largest supplier).

Tehran is especially important not only because China occupies much of the field following Western sanctions against Iran, but also because from there, it can easily get into Iraq and modernise its much-degraded refining capacity. Indeed, after years of neglect, war, sabotage and under-investment, Iraq's oil sector produces only about 2.4 million bpd.

Iraqi authorities now want that to reach 12 million bpd over the next seven years. Whether such a target is realistic or not, the Chinese are working hard at it.

A Chinese oil firm is already drilling at Al-Waha and in relatively peaceful Wasit province, a sign of the new Sino-Iraqi co-operation.

So important are relations with China that when a mainland firm started exploring southeast of Baghdad near the Iranian border last year, and ran into trouble with farmers after destroying some crops, Iraqi officials stepped in quickly, meeting tribal leaders to calm tensions. They also hired hundreds of security guards to protect the Chinese-built oil infrastructure and Chinese workers.

The incident shows Iraq's determination to help Chinese oil companies operating in the country. It equally shows, according to experts, that the world's oil markets are undergoing major changes and that a new balance of power is emerging.

Thus, aided by its capacity to forego short-term profits in favour of long-term gains, China is becoming a major player in the energy business.

*Source: Asia News*

<http://www.speroforum.com/site/article.asp?id=34730&t=IRAQ+%96+CHINA+++Great+opportunities+for+Chinese+oil+firms+in+Iraq>

- China expects big fall in trade surplus this year: commerce ministry (12<sup>th</sup> June)

(Xinhua) -- China's trade surplus would likely fall noticeably this year as exports outlook would not be optimistic while imports would remain robust, Ministry of Commerce spokesman Yao Jian said at a briefing Saturday.

Exports growth would slow after July, Yao forecast, adding the surge in exports in May was due to a low comparison basis last year. China's exports in May surged 48.5 percent year on year, customs data released Thursday.

China's trade surplus in the first five months fell 59.9 percent to 35.39 billion U.S. dollars. The figure in 2009 topped 196.07 billion U.S. dollars, down 34.2 percent year on year.

Yao attributed the weak export outlook to the European sovereign debt crisis, rising commodity prices and labor costs.

"In the following months, the fallout from the debt crisis in Europe would gradually become apparent, and China would closely watch changes in its important exports markets including Germany, Spain and Italy," Yao said.

China would maintain stable trade policies amid the crisis, and might adjust some policies in some specific industries for environmental protection purposes.

"Stable trade policies are a top priority when the external outlook is not clear," he said.

Yao also told reporters that attempts by some U.S. lawmakers to include China's exchange rate policy into trade investigations on China's exports of aluminum extrusions and coated paper lacked factual support and did not conform to rules of the World Trade Organization.

The WTO regulated trade policies instead of a country's overall financial or foreign exchange policies, he said.

- China's economic planner predicts 2.6% CPI growth in first half (12<sup>th</sup> June)

(Xinhua) -- China's top economic planner Saturday forecast a "mild" year-on-year rise in the consumer price index (CPI), a main gauge of inflation, in June, resulting in an average CPI increase of around 2.6 percent in the first half.

The projection by the National Development and Reform Commission (NDRC) came one day after China released its latest economic data.

The latest estimate was revised up from a 2.5-percent CPI rise the NDRC projected on May 18.

China's CPI hit a 19-month high with a 3.1 percent year-on-year increase in May, surpassing the central government's targeted 3 percent annual inflation limit.

During the January-May period, China's CPI rose 2.5 percent year on year.

According to the NDRC's projection posted on its website, China's June CPI will dip slightly month on month, but still post a "mild year-on-year increase" due to the low comparison basis in the same month last year.

The NDRC said positive factors for basic price stability were on the increase, citing sharp falls in international commodities prices, the government's macro control policies and a crack-down on farm produce speculation as well as a possible good grain harvest this summer.

Sheng Laiyun, spokesman for the National Bureau of Statistics, said Friday at a press conference that China had the basics for keeping prices under control this year.

"Although China faces quite a lot of pressure, the 3-percent target (for the whole year) is still possible with effort," he said.

- China's cabinet approves plan to develop varied regions (12<sup>th</sup> June)

(Xinhua) -- China's State Council, or Cabinet, approved a program on Saturday to map out specific development strategies for different regions in a bid to boost economic development and, at the same time, ensure the protection of the environment.

According to a statement released after a regular meeting of the State Council, the country's various regions should have their own development focus and priority according to their environmental features, natural resources, current development stage and development potential.

The Cabinet noted that detailed plans and policies should be made for these "development priority zones" in terms of population distribution, economic layout, land utilization and the level of urbanization.

"To map out and implement the plan, a new development concept must be set up in order to promote basic principles such as improving people's living standard and the capacity for sustainable development," said the statement.

Under the plan, the country's regions are to be categorized into four types: optimized development; major development; restricted development; not for development.

The plan calls for regions of optimized development to speed up procedures for the transformation of their economic growth methods and boost their economic efficiencies by promoting independent innovation and participating in the global market competition.

Those regions targeted for major development are directed to quicken the process of urbanization and develop more hi-tech, low-cost industries for economic development.

The southwestern Qinghai-Tibetan Plateau, the northwestern Loess Plateau, the northeastern forest areas, the southern highland and major rivers and lakes are categorized as regions for restricted development.

These regions "affect the national ecological safety" and should focus on environmental protection and rehabilitation in order to build places where "humans and nature live in harmony," noted the statement. In addition, more than 1,300 national natural reserves, national forest parks, landscape sites and other key natural locations are to be designated as forbidden areas for economic development and should be placed under "compulsory protection," the statement directed.

The program also specified the scale, goals, direction and principles for the development of different zones.

In addition, a draft law on protecting the country's intangible cultural heritage was discussed and approved at the meeting. The law specifies the definition of intangible

cultural heritage and set down the procedures for investigating and certifying an intangible cultural heritage item.

The meeting was presided over by Premier Wen Jiabao.

## **Social front**

- China plans to transform from labor-rich to talent-intensive (6<sup>th</sup> June)

(Xinhua) -- The Communist Party of China (CPC) Central Committee and the State Council, China's Cabinet, on Sunday jointly issued the country's Medium and Long-term Talent Development Plan (2010-2020), which sets a blueprint for creating a highly skilled national work force.

The plan says as part of China's modernization process, people's education must be improved. China has to transform itself from being labor-rich to talent-intensive.

The plan aims to increase the ratio of citizens with a higher education background in the work force from 9.2 percent in 2008 to 20 percent by 2020.

The plan lists six major categories of "talent" that the government will help cultivate, ranging from political leaders, entrepreneurs to high-tech researchers and professional social workers.

By 2020, more than 85 percent of government officials will have four years of college education, it says.

The government will conduct large-scale training programs to encourage more college graduates to work in China's rural areas to help local farmers live a better life, the plan says.

In terms of professional social workers, the plan says the government will put measures in place to train about 3 million social workers by 2020.

- Senior official calls on law enforcement agencies to resolve social contradictions, maintain stability (6<sup>th</sup> June)

(Xinhua) -- A senior Chinese official has called on law enforcement agencies to resolve social contradictions and maintain harmony and stability.

Wang Lequan, deputy secretary of the Political and Legal Affairs Commission of the Communist Party of China (CPC) Central Committee, made the remark during his recent visits to the offices of the country's prosecution, judicial and public security authorities in Beijing.

In a statement issued Sunday, Wang said that resolving social contradictions, improving social management and preventing corruption were the main jobs for law enforcement agencies around the country.

Wang called on law enforcement agencies to pay full attention to the important role that mediation can play in resolving social contradictions.

He also stressed that law enforcement agencies should place more focus on people's rehabilitation after their release from prison.

Law enforcement agencies should carry out public education on the rule of law, improve credibility by increasing transparency, and end the practice of gaining confessions by torture, he added.

- China adopts more open policy to attract foreign talents (8<sup>th</sup> June)

(Xinhua) -- China's central authorities have set down a more open policy to attract top-notch foreign talents to help promote the economic and social development and global competitiveness of the nation.

According to the newly unveiled National Medium and Long-term Talent Development Plan (2010-2020), the government will work out favorable policies in terms of taxation, insurance, housing, children and spouse settlement, career development, research projects, and government awards for high-calibre overseas talents who are willing to work in China.

Furthermore, the government will also improve the system for giving permanent residence rights to foreigners, explore the potential of a skilled migration program, and work out measures to ensure a talent supply, discovery and appraisal system.

The national plan, a blueprint for creating a highly skilled national work force over the next decade, aims to transform the country from being "labor-rich to talent-intensive."

Wang Huiyao, vice chairman of Beijing-based China Western Returned Scholars Association, said, "The measures outlined are very attractive. They've touched upon various concerns of talents from overseas including personal and career needs."

"The plan is practical and concrete compared with previous documents," said Wang, who help draft the plan.

A program to hire 1,000 overseas top-notch specialists initiated in late 2008 was also incorporated into the new plan as one of the 12 key projects to be completed over the next ten years.

By May this year, 662 people have been recruited under the program, which gives priority to leading scientists who are able to make breakthroughs in key technologies, develop high-tech industries and lead new research areas.

Xiao Mingzheng, director of the Human Resource Development and Management Research Center at Peking University said, "It's preferable to import talents rather than capital or technology."

"As China strives to adjust its economic growth pattern, it has become more important for it to tap others' 'brains'," he said.

"The new policies reflect China's open attitude to personnel recruitment - that is, the country not only exports talents to serve the world but also enables foreign talents to serve China's development," he said.

China's efforts to attract overseas talents have gone beyond the central government level.

The country recruited about 480,000 talents from foreign countries, Hong Kong, Macao and Taiwan last year, according to the State Administration of Foreign Experts Affairs.

And about 50,000 Chinese officials and professionals went overseas for various training programs last year.

Li Yuanchao, head of the Organization Department of the Central Committee of the Communist Party of China, said earlier this year, "Top-notch talents are crucial for improving the core competitiveness of a country, a region, and a company."

"Not only should the central government earnestly carry out its talent recruitment program. Local governments should also develop their own programs to create conditions to allow talents to achieve," he said.

- Labor Successes and More Strikes (10<sup>th</sup> May)

This past week saw an increase in Chinese labor strikes against factories that supply or are owned by foreign companies as news of successful labor protests spread. After the [May 31 strike at Honda's Foshan plant](#), a subsequent offer to raise wages and following [wage increases throughout the country's manufacturing areas](#), more Chinese workers have begun demanding better pay and working conditions.

Local governments have also increased their response to the protests, sending in riot police in some cases to contain the growing unrest. Of the incidents over the past week, a strike at a Taiwanese-owned auto parts supplier in Kunshan, Jiangsu province, about 30 kilometers (19 miles) from Shanghai, turned the most violent. The strike began June 4 when workers arrived at the factory but refused to work. On June 7, when police injured a pregnant woman, bloody clashes broke out between 2,000 workers and a few hundred riot policemen. Taiwanese and Hong Kong media report that 50 people were injured, but Chinese media have not reported on the incident. More than 1,000 riot police were then called in to seal off the area.

The local government has a strong interest in containing this particular protest because of its proximity to Shanghai, and particularly the [World Expo](#). In fact, in 1966 during the Cultural Revolution, Kunshan was the site of a major clash between citizens and red guards, who had staged a work stoppage. Kunshan, a major factory center, is one of the wealthiest cities of its size (population 650,000) in China, and thus a place where social tensions can be worrisome. The local government has claimed that the strike is over, but reports from the area as of June 9 say it is still going on. Notably, one of the factory's customers is Honda, whose Guangdong plants began this latest wave of protests. The fact that Chinese media have remained quiet about the Kunshan strike likely reflects government concern over the crackdown and the image it would convey to international visitors in Shanghai.

Strikes also began in the past week at Foshan Fengfu Autoparts June 6 in Foshan, Guangdong province, and at Honda Lock June 9 in Zhongshan, also in Guangdong province. Both companies are Honda suppliers. The June 6 strike at the Foshan factory, a joint venture between a Honda subsidiary and a Taiwanese company, began when some 20 workers asked their colleagues to join them in the strike, which most of the workforce did by June 8. The strike eventually included at least half of the plant's 500 workers and disrupted Honda's supply chain, shutting down two downstream assembly lines employing 6,000 workers. While Honda has announced that Foshan operations would resume June 11, the Zhongshan strike continues.

An increase in labor protests has occurred in other industries as well. On June 3, workers in Xi'an, Shaanxi province, walked out of two sewing-machine plants, then returned to work June 10, according to company officials. A strike at an electronics factory in Shenzhen, Guangdong province, began June 6 when as many as 2,000 workers clashed with 200 riot police, though no injuries were reported. The strike ended when the company, Taiwanese-owned Meilu Electronics, agreed to a 16 percent wage increase by the end of July. Also on June 7, workers at the Taiwanese-owned Simaibo Sports Equipment plant in Jiujiang, Jiangxi province, began a strike that is still ongoing. According to a Hong Kong nongovernmental organization, workers damaged much of the factory's property after security guards reportedly beat two employees (and a rumor spread that one of the employees had died).

Workers often feel unable to voice their grievances through the [All-China Federation of Trade Unions](#). Young migrant workers who have not experienced the same wage increases that the previous (and more appreciative) generation did are quicker to protest when they see growing income inequality and media coverage of labor strikes. So far, the government has allowed these protests because they have targeted foreign companies. But the most recent wave of protests has spread more quickly, raising the possibility of widespread labor unrest unless Beijing does something about it, which could be anything from a security crackdown to more pressure on foreign companies to raise wages to significant labor reforms.

As strikes occur across Guangdong province and spread to interior provinces like Jiangxi and Shaanxi, workers from different kinds of factories across the manufacturing sector could be inspired to join the protests. Wage increases may be able to allay their concerns, but so far, such concessions seem only to have emboldened other protesters. The possibility of organized strikes nationwide is becoming a serious concern for Beijing — and any company whose supply chain involves Chinese workers.

### **(STRATFOR)**

- Infectious diseases kill over 1,300 in Chinese mainland in May (10<sup>th</sup> June)  
(Xinhua) -- Infectious diseases claimed 1,317 lives on the Chinese mainland last month, 48 more than in April, according to the Ministry of Health.  
Four people in May were reported to have contracted cholera, a class A infectious disease, but none of them died, a report on the ministry's website said Thursday.  
Plague and cholera are categorized as Class A infectious diseases, the most serious class under China's Law on the Prevention and Treatment of Infectious Diseases.  
There were no report of plague on the Chinese mainland last month, the ministry said.  
More than 340,000 cases of class B infectious diseases were reported in May. Of those, 1,124 were fatal.  
Tuberculosis, viral hepatitis, syphilis, dysentery and measles were the top five infectious diseases in the category, accounting for 93.58 percent of all cases.  
In addition, 193 of nearly 460,000 cases of class C infectious diseases reported were fatal in May. About 96 percent of the cases were hand-foot-mouth disease (HFMD) and infectious types of diarrhea and mumps, according to the report.

- Hospital visits point to improved China health service: Health Ministry (11<sup>th</sup> June)  
(Xinhua) -- The number of visits to China's hospitals in the first quarter rose by 8.1 percent year on year, indicating increased affordability and accessibility of health services, a Health Ministry official said Friday.  
Zhou Jun, the ministry's head of health service supervision, said at a press conference that health facilities received 1.26 billion visits in the first quarter.  
Zhou said the rising number of hospital visits showed more people were seeking professional medical care when feeling ill.  
Zhou attributed the rise to the expanded coverage of health insurance, better medical services and more grass-roots facilities.  
"Previously, some people would not see doctors when feeling ill due to economic concerns, but now more people will because of health insurance coverage and higher reimbursement rates," he said.

According to the ministry, in April alone, 10,904 new medical facilities were established, most of which were grass-root facilities, including 245 community health centers and 9,702 rural clinics.

Zhou said more grass-roots health facilities would be built and staffed with qualified general practitioners.

From January to April, each doctor dealt with an average of 6.9 outpatient visits and 2.4 in-patients every day.

Zhou said compared with the same period last year, the first four months saw greater workloads for doctors, better use of ward beds and shorter inpatient stays.

Zhou said the practice of clinical paths, standardized care procedures, in pilot hospitals was crucial to reining in medical costs for patients.

"Clinical paths help regulate doctors' medical practices and prevent them from over-prescribing or conducting excessive examinations and health services," he said.

The ministry had introduced 102 clinical paths, which were being piloted in more than 100 hospitals.

Besides, Zhou said more efforts would be put into the building of health information databases so as to collect updated information on medical expenses.

- Chinese legislature to discuss law amendments to strengthen supervision of civil servants (11<sup>th</sup> June)

(Xinhua) -- China's top legislature will discuss amendments to a law so to strengthen supervision of civil servants and grant greater say to rural people in deciding village affairs during a bimonthly session scheduled from June 22-25.

According to Friday's Chairmen's Council of the National People's Congress (NPC) Standing Committee, presided over by top legislator Wu Bangguo, lawmakers will continue to deliberate draft amendments to the Administrative Supervision Law, which has been submitted to parliament for its second reading.

Supervision Minister Ma Wen said when briefing lawmakers during the first reading in February, the law was aimed to improve the supervisory and offence reporting system so as to fight corruption and work inefficiency.

Legislators will also discuss draft amendments to the Organic Law of Villagers' Committees, which affects the country's 900 million rural people.

The draft, which was reviewed for the first time last December, considers giving rural people greater powers to remove village committee members and to convene their own meetings to decide village affairs.

Lawmakers will also turn their attention to, for the third time, a draft law regarding the management of oil and natural gas pipelines -- spelling out specific responsibilities for pipeline companies.

A review for the first time a draft law on mediation, draft amendments to the law on officers in reserve service and a consular treaty with Cambodia, is also scheduled.

As well, lawmakers will discuss the 2009 central budget submitted by the State Council, or Cabinet, an audit report of the budget and reports on the implementation of the laws on women's rights protection and science and technology progress.

## **Ethnic issues**

- Senior Chinese leader stresses economic development and social harmony in ethnic minority areas (11<sup>th</sup> June)

(Xinhua) -- Senior Chinese leader Zhou Yongkang has stated the need for sound and fast economic growth as well as social harmony and stability in China's ethnic minority areas. Zhou, member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee, made the remark during an inspection tour of north China's Inner Mongolia Autonomous Region.

Zhou urged Inner Mongolia to take the lead in economic and social development given its unique advantages.

Zhou visited a herder's family and talked with the local people. He said people's well-being in rural and pastoral areas needed to be improved. Better public services would help with this, he said.

During talks with local police and other public security organizations, Zhou called for better policing of society. He also urged organizations at grassroots levels to promote social harmony.

Talking about the economy and employment in minority areas, Zhou emphasized more should be done to develop the labor-intensive industries and create employment. Employees' legitimate interests and rights needed to be protected and incomes increased, he said.

Zhou called for better preservation of the culture of ethnic minority groups to maintain unity among different ethnic nationalities in China.

During a working forum in Hohhot, Zhou stressed the improvement of people's livelihoods as the first priority and told the local government to do more to change the economic growth pattern and promote balanced development among the different regions. He also stressed Inner Mongolia's ecology needed to be carefully looked after and protected.

## **Environmental front**

- China approves guidelines to enhance forest protection (9<sup>th</sup> June)

(Xinhua) -- The State Council, China's cabinet, approved guidelines Wednesday that protect, restore and ensure the sustainable use of forests for the 2010-2020 period.

Participants at the State Council meeting, chaired by Premier Wen Jiabao, reviewed and approved the guidelines for forest protection and utilization for the 10-year period.

The guidelines say China will lift its forest coverage to 223 million hectares by the end of 2020, or 23 percent of the national area.

In China, forest are woods covering an area of more than 1 mu (0.667 hectares) and having a crown density -- a measure of skylight blocked by plant material -- at or above 20 percent, according to the State Forestry Administration (SFA).

The guidelines set a goal of increasing the nation's woods-covered areas to 312 million hectares, or more than 32.5 percent of the national area, by the end of 2020.

Great importance must be attached to forest protection, especially shrublands in ecologically-vulnerable regions, to ensure the area of forests occupied and requisitioned is equal to the area of afforestation, the guidelines say.

The guidelines urged more efforts on afforestation and rehabilitation of degraded forest lands.

China pledged in 2007 to lift its forest coverage to 20 percent by the end of 2010. Its forest coverage stood at 20.36 percent at the end of 2008, two years early.

China will also endeavor to deepen reforms of collective forest rights and state-owned forest farms, the guidelines said.

- China calls for persistent efforts in tackling environment challenges (10<sup>th</sup> June)

(Xinhua) -- The Chinese ambassador to the United Nations in Geneva on Wednesday called for persistent international efforts in dealing with environment challenges such as climate change and the shortage of energy and natural resources.

"Finding appropriate solutions to address these challenges is our shared long-term goal ... we must work together to find common solutions to these common problems," said He Yafei at a briefing to Geneva-based diplomats and journalists on the next Group on Earth Observations (GEO) ministerial meeting to be held in Beijing in November.

"The recent financial and economic crisis has diverted some of the attention of governments from these environmental challenges. But although the impacts of the global financial crisis are still with us, we cannot allow ourselves to be distracted from the many global environmental challenges that humanity is facing," He said.

Over the years, China has actively promoted international understanding and cooperation on addressing global economic and environmental issues, according to the ambassador.

"We have worked hard to play an effective and constructive role in major international conferences. As a large developing country, we expect to contribute to global efforts to address these challenges," he said.

He praised the efforts made by the GEO in developing a so-called Global Earth Observation System of Systems, or GEOSS, which aims at supporting national and international action on climate change, biodiversity conservation, food security, the UN's Millennium development goals, etc..

The GEO, which was created in 2005, has assembled "a unique international partnership" consisting of both governments and leading organizations, he said.

"GEOSS provides an opportunity for the international community to deepen our understanding of the earth on which we are living. It assists us, policy and decision makers, with the best available information about those global environmental issues," he said.

The ambassador expressed hope that the GEO ministerial meeting in Beijing would further promote the GEOSS development process.

He added that China was always willing to share its experiences with others in developing environmental monitoring and observation systems.

- Environment watchdog sinks teeth into local governments to curb river pollution (11<sup>th</sup> June)

(Xinhua) -- With more city governments fined for failing to curb water pollution in a tributary of the Yellow River, China's environmental watchdog has bared its teeth.

Baoji City Government has become the third local authority after Xi'an and Xianyang in northwest China's Shaanxi Province to be penalized by the provincial environment regulator in almost half a year, after the density of pollutants in the Weihe River topped the upper limits.

The fine of 200,000 yuan was imposed on Baoji in late May after monthly checks by Shaanxi Provincial Environmental Protection Department (SPEPD) showed excessive chemical oxygen demand (COD) in local waterways in February and April.

Although Xi'an and Xianyang both passed the most recent checks after being fined 400,000 yuan and 100,000 yuan respectively in January, environment officials Thursday said it did not mean an end to the problem.

SPEPD deputy chief and spokesman Li Xiaolian warned it was too early to be optimistic as the summer rainy season had raised the river level, which could dilute pollutant densities and help local governments look good.

"A fine of hundreds of thousands of yuan might be small money compared to the fiscal revenues of local governments. But our ultimate goal is to use economic leverages to put local governments on the forefront of environmental improvement," Li said in an interview with Xinhua.

"Local governments should be the first to be liable for environmental deterioration. But in the early stages of China's economic reform, local governments tended to think environmental protection was less important than economic growth. It is high time to break this habitual thinking and press local governments to value quality over quantity of economic expansion," he said.

A provincial regulation to curb water pollution that took effect on Jan. 1 sets the penalty for every milligram per liter of excessive COD in river water at 100,000 yuan. The official limits set for the Weihe River are 19 mg per liter in the first half-year and 17.5 mg in the second half.

All the fines will enter a special account of the provincial treasury. About 60 percent of the total will be appropriated to local governments at the end of the year as environment preservation funds. The remaining 40 percent will be awarded to cities or districts where local river water quality has markedly improved.

Shi Ying, deputy director of the Shaanxi Provincial Academy of Social Sciences, said the provincial environment watchdog had taken a "very significant move" by fining local authorities.

"It is very difficult to see dramatic progress in curbing water pollution without different levels of government immediately changing their approach. Frankly speaking, after years of crackdowns, few factories now violate environment rules. The emphasis of environmental protection work must shift from companies to local authorities," Shi said.

After being fined, Xi'an city government launched an immediate survey of pollution sources, only to find two companies, a starch maker and a combed cotton plant, discharging excessive pollutants into the river. Production in both companies has been suspended.

China's environment regulators, long criticized for being weak, started flexing their muscles in late 2006 by making environmental impact assessments compulsory for the approval of new economic projects.

Factories already in production but failing to meet regular assessments will be fined or even closed if they fail to make technical improvements to meet environment standards. Such evaluations were later extended to companies seeking a domestic market listing.

In 2008, the State Environmental Protection Administration was upgraded into a ministry directly accountable to the central government, giving it more clout with the provincial authorities.

In the last five years, Shaanxi Province has closed 134 paper mills with total waste discharges accounting for a quarter of the total COD in the Weihe River. Moreover, 50 sewage treatment plants had opened in the river valley by April.

"These measures worked, but are far from enough. Combating water pollution in the Weihe River will be increasingly difficult," said Li Xiaolian.

According to the provincial environmental authorities, the composite pollution index of the river's main stream fell from 9.04 in 2003 to 2.09 in 2009. The improvement means the river water can be only used for irrigation, but is not good enough for swimming or aquatic farming.

With industries pumping in wastewater laced with heavy metals, including chrome, arsenic, cadmium, lead and mercury, the river used to be dark and foul smelling in 2004. The 818-km Weihe River flows through Xi'an, Xianyang, Baoji and Weinan and used to nourish 56 percent of the province's arable land. The river valley, home to 64 percent of Shaanxi's population, generates about 80 percent of the province's yearly gross domestic product.

Calling the penalty "an alarm bell at the right time," Shi Ying hoped local governments could realize that closing polluting plants was only a quick fix. "A long-term approach should be to restructure industries in the river valley and aim for coordinated development across it."

Of Shaanxi's 10 cities, capital Xi'an is the biggest economic engine, but was also the first to be fined. When it was fined in March, the city was competing to be the province's Environmental Protection Model City.

"The penalty shook us up a lot", said Dong Jun, Executive Vice-Mayor of Xi'an. "It reminded us of the necessity to transform our growth mode and to curb pollution by optimizing industrial structure."

In response, Dong said, Xi'an rejected all traditional industrial projects at this year's China East-West Cooperation and Investment Trade Fair in April and signed only high-tech projects.

Ren Yongfeng, deputy director of Xi'an Environmental Protection Bureau, said the city environment watchdog would also press lower-level governments to make more solid efforts to curb pollution.

Refusing to disclose the penalties facing county or district authorities, Ren said the criteria would soon be submitted to the mayor's work meeting for discussion.

In late May, China's top economic planner, the National Development and Reform Commission (NDRC), also showed rare toughness, threatening to punish provincial governments and key enterprises that fail to realize the year's missions in environmental protection and emissions cuts.

The government planned in 2006 to axe the country's energy consumption per unit of GDP by 20 percent by 2010. The past four years saw the figure decline by 14.8 percent.

In the first quarter this year, six industries -- power generation, iron and steel, non-ferrous metals, building materials, petro-chemicals and chemicals -- reported a rise of 3.2 percent in the per-unit energy consumption. Moreover, 12 of the country's 31 province-level regions also reported a rise, according to the NDRC.

Regarding 2010 "a year of decisive battles" for China to meet the goals set for the 11th five-year period and pave the way for development in the next five years, the NDRC has

promised to publish its evaluation reports at the end of the year and penalize those that fail and reward excellence.

"The message is clear here. Governments at various levels failing to protect the environment would be named, shamed and pay the price," said Shi Ying.

## **Cyber/Technology Front**

- Conference of China's science, engineering academicians opens (7<sup>th</sup> June)

(Xinhua) -- More than 1,200 scientists and engineers will discuss low-carbon and renewable energies among other key development issues at the biennial conference of China's two leading science and technology organizations, which opened in Beijing Monday.

The conference will be attended by academicians from the 709-member Chinese Academy of Sciences (CAS) and the 751-member Chinese Academy of Engineering (CAE), the top honorary bodies that advise the government and industries on key scientific and technological issues.

Chinese President Hu Jintao addressed the conference Monday and state leaders Wu Bangguo, Wen Jiabao, Jia Qinglin, Li Changchun, Xi Jinping, Li Keqiang and Zhou Yongkang attended the opening at the Great Hall of the People.

During the five-day conference, the CAE is to elect its new presidents and members of the presidium.

A total of 27 senior engineers will be awarded the eighth Guanghai Engineering Science and Technology Prize, and five scientists will be awarded the Tan Kah Kee Science Awards at the conference.

Academic workshops will also be held on the sidelines of the conference, which is the 15th academician conference of the CAS and the 10th academician conference of the CAE.

- President Hu stresses science, technology at academic conference (7<sup>th</sup> June)

(Xinhua) -- Chinese President Hu Jintao Monday stressed the role of science and technology in "building an innovative nation, transforming the growth pattern and gaining initiative in development."

Hu told more than 1,400 scientists and engineers attending a biennial conference of China's two leading science and technology organizations which opened in Beijing Monday, "The key is to greatly improve innovation abilities."

Hu said the science and technological sector "shoulder an important mission" in transforming the economic growth pattern.

The five-day conference was attended by academicians from the 709-member Chinese Academy of Sciences (CAS) and the 751-member Chinese Academy of Engineering (CAE), the top honorary bodies that advise the government and industries on key scientific and technological issues.

"The competition on science and technology has an important status in the competition of overall national strength," Hu told them.

"The rapid development of science and technology has profoundly changed the growth mode and the mode of production, and innovation has become an important way to resolve global problems such as energy resources, ecological environment, natural

disasters and health, and has become a main driver of economic and social development," he said.

Hu said efforts must be made to develop technologies of energy resource exploitation so as to form a sustainable system featuring recycling and low carbon emissions.

More efforts should also be focused on advanced material and manufacturing science, the equipment manufacturing industry, information technology, agriculture, biology, food safety, health sciences, and environment protection technologies, he said.

Hu said space and ocean technologies should be developed to ensure the peaceful and efficient use of space, and state and public security technologies should be emphasized and should aim to improve the ability of monitoring, advance warning and management of traditional and non-traditional threats to security.

Hu said technological competitiveness is vital for the nation's international competitiveness, adding that science and technology are strategically important.

Efforts must be made to resolve key technological issues that affect the nation's future development, he said.

He called for technological development and a blueprint for creating a highly skilled work force.

State leaders Wu Bangguo, Wen Jiabao, Jia Qinglin, Li Changchun, Xi Jinping, Li Keqiang and Zhou Yongkang attended the conference opening at the Great Hall of the People.

During the five-day conference, scientists will discuss low-carbon and renewable energies among other key development issues, and review work reports of the two organizations, development strategies and the building of the academician force.

At the conference, the CAE is to elect its new president and members of the presidium.

A total of 27 senior engineers will be awarded the eighth Guanghua Engineering Science and Technology Prize, and five scientists will be awarded the Tan Kah Kee Science Awards at the conference.

Academic workshops will also be held on the sidelines of the conference, which is the 15th academician conference of the CAS and the 10th academician conference of the CAE.

- China issues white paper on Internet policy (8<sup>th</sup> June)

(Xinhua) -- The Chinese government Tuesday published a white paper on its Internet policy, stressing the guarantee of citizens' freedom of speech on the Internet and more intensive application of it.

The white paper, released by the State Council Information Office, introduced facts of the development and use of the Internet in China, and elaborated on the country's basic policies on the Internet.

The Chinese government actively advocates and supports the development and application of the Internet across the country, it said, stressing the government's basic Internet policy: active use, scientific development, law-based administration and ensured security.

By the end of 2009 the number of netizens in China had reached 384 million, 618 times that of 1997 with an annual increase of 31.95 million users.

The Internet had reached 28.9 percent of the total population by the end of 2009, higher than the world average. Its accessibility will be raised to 45 percent of the population in the coming five years, it said.

There were 3.23 million websites running in China last year, which was 2,152 times that of 1997.

Of all the netizens, 346 million used broadband and 233 million used mobile phones to access the Internet. They had moved on from dialing the access numbers to broadband and mobile phones.

"These statistics make China among the top of the developing countries in developing and popularizing the Internet," the paper said.

The Internet has become an engine promoting the economic development of China. Information technology (IT) including the Internet and its industry has made significant contributions to the rapid growth of the Chinese economy, it said.

In the past 16 years, the average growth rate of the added value of Chinese IT industry grew at over 26.6 percent annually, with its proportion in the national economy increasing from less than 1 percent to 10 percent, according to the paper.

Meanwhile, the Internet has become an indispensable tool in people's every-day life, it said.

According to a sample survey, in 2009 alone, about 230 million people in China gathered information using search engines, and 240 million communicated through real-time telecommunications devices.

Also, 46 million Chinese people received education with the help of the Internet, 35 million conducted securities trading on the Internet, 15 million sought jobs through the Internet, and 14 million arranged trips via the Internet.

The Chinese government is determined to further promote Internet development and application so that more people can benefit from the Internet, the paper said.

"Chinese citizens fully enjoy freedom of speech on the Internet," it said, adding that China's websites attach great importance to providing netizens with opinion expression services.

Over 80 percent of China's websites provided electronic bulletin service. And there are over 1 million BBSs and some 220 million bloggers in China.

According to a sample survey, over 66 percent of Chinese netizens frequently place postings to discuss various topics, and to fully express their opinions and represent their interests.

"The Internet's role in supervision is given full play," the paper said.

Over the past few years, a great number of the problems reported through the Internet have been resolved.

In order to facilitate the public's reporting of corrupt and degenerate officials and suchlike, the central discipline inspection and supervision authorities, the Supreme People's Court, the Supreme People's Procuratorate and other relevant bodies have set up informant websites.

The informant website of the Communist Party of China (CPC) Central Commission for Discipline Inspection and the Ministry of Supervision, and the website of the National Bureau of Corruption Prevention are playing an important role in preventing and punishing corruption and degeneration among officials.

A sample survey found that over 60 percent of netizens had a positive opinion of the fact that the government gives wide scope to the Internet's role in supervision, and considered it a manifestation of China's socialist democracy and progress, the paper said.

"The Chinese government believes that the Internet is an important infrastructure facility for the nation. Within Chinese territory the Internet is under the jurisdiction of Chinese sovereignty," it said, stressing that the Internet sovereignty of China should be respected and protected.

According to the paper, computer crimes in China have been on the increase in recent years.

Public security departments dealt with 142 computer crime cases in 1998, 29,000 in 2007, 35,000 in 2008 and 48,000 in 2009.

"China is one of the countries suffering most from hacking," it said.

According to incomplete statistics, more than one million IP addresses in China were controlled from overseas in 2009, 42,000 websites were distorted by hackers.

Besides, 18 million Chinese computers are infected by the Conficker virus every month, about 30 percent of the computers infected globally.

National situations and cultural traditions differ among countries, and so concern about Internet security also differs, the paper said.

"Concerns about Internet security of different countries should be fully respected," it said.

The Chinese government will constantly adjust relevant policies to better match the inherent law and the objective requirements of the development and administration of the Internet, according to the paper.

The 31-page document is divided into six sections: Endeavors to Spur the Development and Application of the Internet, Promoting the Extensive Use of the Internet, Guaranteeing Citizens' Freedom of Speech on the Internet, Basic Principles and Practices of Internet Administration, Protecting Internet Security, and Active International Exchanges and Cooperation.

- China has 45,000 government Internet portals: white paper (8<sup>th</sup> June)

(Xinhua) -- China had established more than 45,000 government Internet portals by the end of 2009 to publicize government information, said a white paper issued by the Information Office of the State Council Tuesday.

According to the paper, titled "The Internet in China", 75 central and state organs, 32 provincial governments and 333 prefectural governments and over 80 percent county-level governments had set up their websites, providing various online services to facilitate people's work and life.

"The building of e-government has substantially improved the work efficiency and transparency of government information," the paper said.

Governments at all levels are making every effort to improve the government spokesman system. By promptly releasing authoritative information through all kinds of media including the Internet, government spokesmen brief the public on the implementation of related policies, and on responses to natural disasters, and public health and social emergencies.

"The role of the Internet in satisfying people's right to know has become increasingly prominent," it said.

Furthermore, the Internet has become an indispensable tool in people's every-day life, the paper said.

Citing a sample survey, the paper said that in 2009 alone, about 230 million people in China gathered information using search engines, 240 million communicated through real-time telecommunications devices, 46 million received education with the help of the Internet, 35 million conducted securities trading on the Internet, 15 million sought jobs through the Internet, and 14 million arranged trips via the Internet.

"In China, more and more people are collecting information, enriching their knowledge, establishing businesses and realizing their aspirations, and communicating to know each other better through the Internet," the paper said.

- China to make Internet accessible to 45% of population in next 5 years: White Paper (8<sup>th</sup> June)

(Xinhua) -- The Chinese government will try to raise the Internet accessibility to 45 percent of the population in the coming five years, said a white paper issued by the Information Office of the State Council Tuesday.

According to the paper, titled "The Internet in China", the government will further promote Internet development and application, so that more people can benefit from the Internet.

By the end of 2009, the Internet had reached 28.9 percent of the total population, higher than the world average.

The number of Chinese netizens had reached 384 million, 618 times that of 1997 with an annual increase of 31.95 million users.

At the same time, there were 3.23 million websites running in China, 2,152 times that of 1997.

The number of IPv4 addresses approached 230 million, making China the second-largest owner in the world.

Of all the netizens, 346 million used broadband and 233 million used mobile phones to access the Internet, according to the paper.

"These statistics make China among the top of the developing countries in developing and popularizing the Internet," it said.

The paper admitted that Internet development and application in China is imbalanced regionally, and between urban and rural areas.

"Hindered by different levels of economic development, education and informationization progress, the Internet has been developing more rapidly in the eastern than in the western parts of the country, and has a higher popularization rate in cities than in the countryside," it said.

By the end of 2009, the Internet had reached 40 percent of the population in eastern China but only 21.5 percent in western China.

Meanwhile, urban Internet users made up 72.2 percent of the national total, leaving the other 27.8 percent in rural areas.

"China still needs to make arduous efforts to bridge the 'digital gap' between different regions and between the urban and rural areas," the paper said.

- China invests 4.3 trillion yuan in Internet infrastructure construction over past 13 years (8<sup>th</sup> June)

(Xinhua) -- China invested a total of 4.3 trillion yuan (630 billion U.S. dollars) in Internet infrastructure construction from 1997 to 2009, said a white paper issued by the Information Office of the State Council Tuesday.

According to the paper, titled "The Internet in China", China built a nationwide optical communication network with a total length of 8.267 million kilometers, 840,000 kilometers of which were long-distance optical cables, it said.

By the end of 2009, Chinese basic telecom companies had 136 million broadband Internet access ports, and international outlet bandwidth was 866,367 Mbps, with seven land-submarine cables and 20 land cables, boasting a combined capacity of 1,600 Gb, the paper said.

The infrastructure development ensured Internet access to 99.3 percent of towns and 91.5 percent of villages, and broadband to 96 percent of the towns, it said.

The Chinese government began to issue third-generation (3G) licenses to mobile service suppliers in January 2009. At present, 3G network covers almost the whole country.

"Along with the swift expansion of the mobile Internet, more people will benefit from this technical advance," the paper said.

- Online gaming industry turnover hits 25.8 bln yuan in China last year: White Paper (8<sup>th</sup> June)

(Xinhua) -- The online gaming industry in China had a turnover of 25.8 billion yuan (3.79 billion U.S. dollars) in 2009, an increase of 39.5 percent over 2008, said a white paper issued by the Information Office of the State Council Tuesday.

According to the paper, titled "The Internet in China", the Internet helped promote the development of the culture industry in the country.

Online gaming, animation, music and videos are emerging rapidly, greatly multiplying the overall strength of the Chinese culture industry, it said.

In the past five years, the average annual increase rate of online advertisement has maintained a level of 30 percent, with its turnover reaching 20 billion yuan (2.94 billion U.S. dollars) in 2009.

According to the paper, the Internet has become an engine promoting the economic development of China.

"IT including the Internet and its industry has made significant contributions to the rapid growth of the Chinese economy," it said.

In the past 16 years, the average growth rate of the added value of Chinese IT industry grew at over 26.6 percent annually, with its proportion in the national economy increasing from less than 1 percent to 10 percent.

"The Chinese government encourages the use of the Internet in ways which aim to promote economic and social progress," the paper said.

It said the Chinese government will vigorously promote the development of websites featuring e-commerce and education, advocate the development of emerging media such as online radio and online television to satisfy the diversified, multi-leveled needs of information consumption.

- China faces increasing computer crimes: white paper (8<sup>th</sup> June)

(Xinhua) -- Computer crimes in China have been increasing in recent years, said a white paper titled "The Internet in China" issued on Tuesday.

The white paper, issued by the Information Office of the State Council, said the tendency of the combination of various traditional crimes and computer crimes has become gradually more obvious.

"Online fraud, online theft and other forms of crimes which encroach on the property of others are increasing rapidly," said the paper. "Crimes such as producing and spreading computer viruses, and computer and network hacking are increasing."

"Criminal activities such as disseminating obscenity, pornography and gambling are still pressing problems," the paper added.

According to the paper, public security departments dealt with 142 computer crime cases in 1998, 29,000 in 2007, 35,000 in 2008 and 48,000 in 2009.

In order to effectively combat computer crimes, the Chinese laws stipulate that criminal activities conducted by making use of the Internet or against the Internet shall be investigated and dealt with in accordance with the Criminal Law or other relevant laws.

"China is one of the countries suffering most from hacking," said the paper.

According to incomplete statistics, more than 1 million IP addresses in China were controlled from overseas in 2009, 42,000 websites were distorted by hackers, and 18 million Chinese computers were infected by the Conficker virus every month, about 30 percent of the computers infected globally, said the paper.

"Chinese laws prohibit all forms of hacking," said the paper, adding that concerns about Internet security of different countries should be fully respected.

- China stresses online safety for minors: white paper (8<sup>th</sup> June)

(Xinhua) -- The Chinese government Tuesday published a white paper on its Internet policy, stressing the guarantee of online safety for minors.

The paper, released by the State Council Information Office, introduced the facts of the Internet situation in China, and elaborated on the country's basic policies on the Internet.

According to the white paper titled "The Internet in China", minors have become China's biggest group of Internet users.

By the end of 2009, one third of the country's 384 million Internet users were minors, it said.

Online pornographic, illegal and harmful information is seriously damaging the physical and psychological health of young people, and this has been recognized as a prominent issue of public concern, said the paper.

The Chinese government attaches great importance to online safety for minors, and has always prioritized the protection of minors in the overall work of Internet information security programs.

The Law of the People's Republic of China on the Protection of Minors stipulates that the state shall take measures to prevent minors from overindulging in the Internet, prohibit any organization or individual from producing, selling, renting or providing by other means electronic publications and Internet information containing pornography, violence, murder, terror, gambling or other contents harmful to minors.

The state encourages research and development of Internet tools that are conducive to the online protection of minors, as well as Internet products and services suitable for minors. Families, schools and all other social units shall work together to protect minors online and create a healthy online environment for the development of minors, it said.

- China calls for international cooperation on Internet security protection (8<sup>th</sup> June) (Xinhua) -- China urged the international community to jointly protect Internet security in a white paper issued Tuesday.

The white paper, issued by the Information Office of the State Council, says China maintains that all countries should, on the basis of equality and mutual benefit, jointly shoulder the responsibility of maintaining global Internet security and share the opportunities and achievements brought about by this development.

The paper stressed that the role of the UN should be given full scope in international Internet administration, saying the country supports the establishment of an authoritative and just international Internet administration organization under the UN system through democratic procedures on a worldwide scale.

"China maintains that all countries have equal rights in participating in the administration of the fundamental international resources of the Internet," said the paper.

The fundamental resources of the Internet are vitally connected to the development and security of the Internet industry, it said, adding, "A multilateral and transparent allocation system should be established on the basis of the current management mode."

According to the paper, China has sent representatives to all previous sessions of the World Summit on the Information Society and other important international and regional meetings related to the Internet.

Since 2006, it said, Chinese public security organs have handled more than 500 letters of assistance from more than 40 countries and regions concerning network crimes, said the paper.

- China saw 138,000 Internet cafes as of 2009: report (8<sup>th</sup> June) (Xinhua) -- China had 138,000 Internet cafes as of 2009, which hosted 135 million customers, a government report said on Tuesday.

The total output in sales at Internet cafes stood at 88.6 billion yuan (13 billion U.S. dollars), according to the report on the market of China's Internet cafes in 2009, which was released by the Ministry of Culture.

However, some Internet cafes were found to spread violence and pornography and install games featuring violence to attract customers, the report said, adding some Internet cafes were also found to have infringed on copyrights of films and TV programs.

Further, many minors were found to be addicted to Internet, spending a lot of their time at Internet cafes, especially in rural areas and rural-urban fringe zones, according to the report.

In China, an Internet cafe would have to suspend operations for 30 days if found providing services to minors, defined as someone below 18 years old. If such a violation occurs twice in one year, the cafe's license will be revoked.

China has banned Internet cafes from providing services to minors since 2002 in the wake of a series of Internet cafe accidents and increasing numbers of teenagers becoming addicted to online gaming.

In June 2002, two teenage boys set fire to an Internet cafe in Beijing, killing 25 people and injuring 12, many of whom were minors. The incident triggered a nationwide campaign to better regulate Internet cafes.

China has the world's largest population of Internet users, which stood at 384 million by the end of 2009.

## **Regional report**

### **North**

#### **Politics**

#### **Social front**

#### **Economic front**

### **Northwest**

#### **Politics**

#### **Social front**

#### **Economic front**

- CDB to increase lending to Xinjiang to boost development (8<sup>th</sup> June)

(Xinhua) -- President of China Development Bank Corp. Chen Yuan said Tuesday the bank will boost lending to northwest China's Xinjiang Uygur Autonomous Region to strengthen the region's infrastructure and finance its economic development.

The lender will extend over 20 billion yuan (2.93 billion U.S. dollars) in loans to Xinjiang annually beginning this year as part of the country's efforts to boost development in the region.

Chen said the bank supports the region's development plans set down by the central government at a work conference last month.

The bank will strengthen cooperation with local governments and companies to finance railway and transportation projects, oil pipeline construction and oil exploration in the region, Chen said.

The bank's 2009 net profit surged 54 percent year on year to 31.9 billion yuan due to an increase in lending, the bank's annual report released Tuesday said.

- CNPC to invest 23 bln yuan for oilfield in China's quake-hit Qinghai (11<sup>th</sup> June)

(Xinhua) -- China's largest oil and gas producer, China National Petroleum Corporation (CNPC), signed an agreement on Friday with Qinghai provincial government to invest 23 billion yuan (3.37 billion U.S.dollars) in the province over the next five years.

The investment is to boost CNPC Qinghai oilfield's production to at least 8.5 million tons per year by 2015, said Wang Yilin, a deputy manager of CNPC.

The CNPC Qinghai oilfield produced 1.855 million tons of crude oil in 2009. CNPC also plans to raise its Qinghai retailers' annual sales to 1.5 million tons by 2015. It also has agreed to provide Qinghai with natural gas amounting to 15 billion cubic meters from 2010 to 2015, Wang said.

Further, the company, which is also the parent of PetroChina, would expand the capacity of an oil storage tank by 48,000 cubic meters while building 120 petrol stations and 40 gas stations, he added.

Qinghai's Yushu was rocked by a 7.1-magnitude earthquake on April 14. At least 2,698 people were killed while 270 remain missing. The government said it would take about three years to rebuild the flattened town of Gyegu near the epicenter.

Wang said, to ensure a stable supply of energy to the quake zone CNPC would build 12 petrol stations and a 6,000-cubic-meter oil storage tank in Yushu along with a terminal to receive liquefied gas in Gyegu.

Qinghai is home to a number of key oil and gas production bases in China's western region. By 2009, identified crude oil reserves in Qinghai topped 370 million tons while natural gas deposits were placed at 290 billion cubic meters -- only 25 percent and 11 percent, respectively, of the province's estimated total reserves.

## **Northeast**

**Politics**

**Social front**

**Economic front**

## **Southwest**

**Politics**

**Social front**

**Economic front**

## **South central**

**Politics**

**Social front**

**Economic front**

- Real estate investment grows in south China (7<sup>th</sup> June)  
(Xinhua) -- Real estate investment surged 30.5 percent year on year to 85.9 billion yuan in south China's Guangdong Province in the first four months, said the provincial statistic bureau.

Real estate developers spent 10.65 billion yuan on land purchasing from January to April, up 59.6 percent from the same period last year, according to the bureau.

- Foxconn to give Chinese workers another pay raise  
TAIPEI, Taiwan — Foxconn workers in China will get another pay raise in coming months, on top of an increase that just took effect in response to recent worker suicides, the company said Sunday.

Taiwan-based Foxconn Technology Group said salaries would be raised in October to 2,000 yuan (US\$293) for workers at its plant in the southern Chinese city of Shenzhen.

Workers elsewhere in China will get raises in July adjusted for local conditions, the statement said.

Less than a week ago, the maker of iPads, iPhones and other electronic gadgets for international companies had raised workers' pay by 30 percent at its plants across China.

The basic salary at Foxconn's China plants was about 900 yuan (\$130) per month before the 30 percent raise, and new recruits are paid 1,200 yuan (\$176) per month.

"This wage increase has been instituted to safeguard the dignity of workers," said Foxconn Chairman Terry Gou in the statement. "We are working diligently to ensure that our workplace standards and remuneration not only continue to meet the rapidly changing needs of our employees, but they are best-in-class."

The company added workers in Shenzhen have to pass a three-month review period before they are qualified for the October raise. It did not elaborate. Foxconn employs 300,000 in Shenzhen.

Labor activists accuse the company of having a rigid management style, an excessively fast assembly line and forced overwork. Foxconn denies the allegations, but it has been under great public pressure to improve conditions at its Chinese operations.

Ten workers have killed themselves and three have attempted suicide at Foxconn's operations in southern China this year, mainly workers who jumped from buildings. A Foxconn worker in northern China also committed suicide this year.

The company, part of Taiwan's Hon Hai Precision Industry Co., is the world's largest contract maker of electronics. Its big-name customers include Apple Inc., Sony Corp., Dell Inc., Nokia Corp. and Hewlett-Packard Co.

In late May, Foxconn Chairman Terry Gou led a media tour of the company's mammoth industrial park in Shenzhen and promised to work harder to prevent more deaths.

Safety nets were being installed on buildings and more counselors were being hired. Employees also were being assigned to 50-person groups, to watch one another for signs of emotional trouble.

[http://www.google.com/hostednews/ap/article/ALeqM5gEy6XvahLAsR7ACKvCcp\\_pUuIwCQD9G5RES01](http://www.google.com/hostednews/ap/article/ALeqM5gEy6XvahLAsR7ACKvCcp_pUuIwCQD9G5RES01)

- Chinese Premier urges efforts for quick summer grain harvest (11<sup>th</sup> June)  
(Xinhua) -- Chinese Premier Wen Jiabao has called on local authorities and farmers to achieve a quick summer grain harvest.

Wen made the call during his inspection tour of Henan Province, a major wheat-producing area in central China, from June 9 to 10.

He asked local governments to harvest crops as soon as possible, strengthen field management, intensify pest- and disease-prevention efforts, and ensure adequate supplies of fertilizers, pesticides and seeds.

Wen said a good summer harvest and stable farm produce prices are crucial for managing inflation expectations and for realizing the nation's macro-economic targets this year.

A bumper summer harvest will lay a solid foundation for the full-year harvest as summer grain output accounts for a quarter of annual grain output, he added.

Agriculture is a cornerstone for the national economy and the nation must always attach great importance to agricultural production, he said.

- China Southern world's third largest air passenger carrier in 2009 (12<sup>th</sup> June)

(Xinhua) -- China Southern Airlines had the third largest number of passengers in the world in 2009, only behind American Airlines and Delta Air Lines, the Chinese airline said Saturday.

It flew a total of 66.28 million passengers in 2009, ranking the third in the latest World Air Transport Statistics by the International Air Travel Association (IATA), a spokesman for the Guangzhou-based airline said.

China Southern ranked fourth in the IATA world charts in 2008. The company attributed its advance in 2009 to rebounding domestic demand.

To date, China Southern has 392 planes, forming Asia's biggest fleet.

Focusing on domestic services in China, the airline posted a net profit of 1.419 billion yuan (207.7 million U.S. dollars) in the first quarter this year. It swung back to a net profit of 358 million yuan (52.49 million U.S. dollars) in 2009 after a loss of 4.8 billion yuan (702.8 million U.S. dollars) in 2008.

China Eastern Airlines is another Chinese airline giant among the IATA's top ten largest carriers by passenger numbers, together with United Airlines, Lufthansa, U.S. Airways, Air France, Continental Airlines and All Nippon Airways.

China Eastern ranked the ninth in the IATA charts.

## **East**

### **Politics**

- U.S. Congress recognizes Nanjing City as "Model for International Cooperation" (11<sup>th</sup> June)

(Xinhua) -- The U.S. House of Representatives has passed a bill to recognise Nanjing City of China as a "Model for International Cooperation" in order to award the city's active involvement in cooperation with the United States in education, innovation and entrepreneurship, and this was the first Chinese city to win such an award, Li Jiansheng, executive chairman of the U.S.-China Partnership Committee, told Xinhua on Thursday.

The House passed the bill, tabled by Representative John Tierney of Massachusetts, on Tuesday night, Li said, adding that this will pave the way for further cooperation between China and the United States in education, innovation and entrepreneurship, which are very conducive to build a stronger China in the future.

"I rise today to speak about a model for international cooperation that is said to hold promise and future opportunities for the United States," Tierney said when he was taking the floor at the House. "The City of Nanjing is working to improve the quality of life of its residents with a global initiative that has potential to create a great opportunity for some in the United States."

For over a decade, Nanjing "has reached beyond the borders of the People's Republic of China to create new strategies in education, innovation and entrepreneurship, increasing the level of understanding between our two nations and stimulating U.S.- China idea exchange," he said.

"It is expected that this international cooperative initiative will inure to the benefit of the residents of Nanjing as well to the residents of the United States, including businesses, residents and educational institutions in the Commonwealth of Massachusetts," he said.

Nanjing, capital of Jiangsu Province in East China, has forged close ties of cooperation and partnership with Boston and Massachusetts in 2008. The city government has hammered out a series of programs to lure top talents from overseas.

"This is the first time for the U.S. Congress to recognize a model for a Chinese City for the partnership in entrepreneurship innovation, technology and education," Gene Hartigan, co-chairman of the U.S.-China Partnership Committee, told Xinhua on Thursday.

"This will get great attention from leaders in Washington D.C. and become the model for cooperation in the future between the U.S. and China in partnership in these areas," he said. "Currently the US and Chinese government have a platform called Strategic and Economic Dialogue. This statement approved by congress will create a new dialogue in innovation and entrepreneurship between the US and China."

"This will send a clear message to the American technology, education and business community that Nanjing is a place to do business for the future," Hartigan said. "It shows that the U.S. government believes the future presents many opportunities for Nanjing and China as a whole to develop partnership programs in technology and innovation and provide a great opportunity for many young scholars as well to bring their technology and ideas to Nanjing and China to develop."

"It will also encourage more U.S. companies to explore Nanjing and China as a new opportunities for innovation business development, where new ideas and concepts can be created to help the development of Chinese society while providing U.S. companies with new markets," he said. "The U.S. will use Nanjing as a model and then move this model to other parts of China to expand innovation and entrepreneurship."

"Nanjing is well prepared because over the past two years Nanjing, working together with the U.S.-China Partnership Committee and the New England Board of Higher Education, have been working on the International R&D University City, International Technology Transfer (China) Center and the China Global Entrepreneur Conference," he said. "This is the result of much preparation."

The China Global Entrepreneurship Conference (CGEC), slated for Aug. 7-9 in Nanjing, gathers abundant resources aimed at helping global entrepreneurs start and grow their business, and access the booming Chinese market.

As partners with CGEC, the Nanjing City government is expected to offer enormous support to global entrepreneurs, including financial resources from government-owned banks, investment firms and funds, as well as numerous research grants, free facilities and tax incentives.

More than 20 prestigious private investment funds from China and around the world have joined the local government and created a multi-billion dollar investment fund to support innovative, exciting new projects that come to the conference, reports said.

## **Social front**

- Another Judicial Attack (9<sup>th</sup> June)

On June 9, when a court in Wuzhou, Guangxi province, ordered the repossession of a house owned by a man and woman, the couple allegedly attacked two judges and four other court officials with sulfuric acid. The presiding judge and another official suffered serious injuries, including third-degree burns. It was the second attack in as many weeks involving violent dissatisfaction with a Chinese court ruling.

Chinese media originally reported that the incident occurred in the courtroom, but later reports said it occurred when the officials tried to enter the repossessed house to enforce the court order. The couple, Chen Hongsheng and Liu Fengjian, reportedly owed 300,000 yuan (about \$44,000) to six other people but were refusing to pay. The court ordered their house to be seized, and as the officials prepared to enter the house, sulfuric acid was poured on them from a balcony. The couple were arrested after a two-hour standoff with armed police and firefighters who responded to the attack.

Unlike [the previous week's attack](#), when a security director shot three judges to death and wounded three others, the suspects used a publicly available weapon — sulfuric acid — that did not require any training to effectively deploy. In the past, [knife attacks](#) have led to restrictions on knife purchasing. The same could happen with sulfuric acid or other chemicals if more copycat attacks occur.

The willingness of disgruntled citizens to target judicial officials could reflect worsening social conditions and limited outlets for venting frustrations. Whenever possible, Beijing likes to attribute unrest to foreign sources such as manufacturing facilities, embassies and retail outlets. Many of the foreign-factory protests have been well covered in the Chinese media, with editorials arguing for higher wages while the central government manages, more or less, to stay out of the fray. But if attacks continue against judicial or other government officials, Beijing may not be able to deflect the blame.

STRATFOR

## **Economic front**

- Bulgaria, China's Zhejiang province to boost economic ties (9<sup>th</sup> June)

(Xinhua) -- The Bulgarian government approved a draft memorandum Wednesday to encourage economic and trade cooperation with China's Zhejiang province.

According to the memorandum, a mechanism for exchanging economic information between Bulgaria and Zhejiang will be implemented. Both sides also will encourage business contacts and Zhejiang companies' investments in Bulgarian industrial zones.

Zhejiang is one of the most economically vibrant provinces in China.

Chinese investment in Bulgaria has been relatively small: about 20 million U.S. dollars in the production of communications equipment. However, Chinese automaker Great Wall Motor Co. is planning to build a 133-million-dollar plant in the Bulgarian city of Lovech.

- Gucci wins first IPR lawsuit in China (10<sup>th</sup> June)

(Xinhua) -- The leading luxury goods supplier based in Italy, Gucci, has won its first intellectual property right (IPR) lawsuit on the Chinese mainland.

The Intermediate People's Court of Ningbo, an open coastal city in east China's Zhejiang Province, handed down the verdict that Ningbo Outlets Co.,Ltd. had been in improper competition against Gucci and the Ningbo company should compensate 50,000 yuan to the Italy company.

According to the court, the Ningbo Outlets used the trademark of Gucci at one of its shops and in its online advertisement without permission by the Italian company.

- Telecom operators to invest 11 bln yuan in Shanghai (10<sup>th</sup> June)

(Xinhua) -- Three major Chinese telecom operators, China Telecom, China Mobile and China Unicom, will invest 11 billion yuan (1.6 billion U.S. dollars) in Shanghai this year, so as to help develop the city into an information hub for the Asia-Pacific region.

Last year, investment in Shanghai's information and telecom sector stood at more than 14 million yuan, up 13 percent. The sector garnered 40.3 billion yuan in annual revenue. At the end of the year, the city had 9.36 million subscribers to fixed-line telephones and 21.06 million subscribers to mobile phones. Meanwhile, 4.7 million households in Shanghai, or 59 percent of the city's total, got access to broadband Internet services.

- Software export via E China's Shandong up 42% (10<sup>th</sup> June)

(Xinhua) -- Software exports through ports in eastern China's Shandong Province amounted to 9.59 million U.S. dollars worth in the first five months of this year, a growth of 42 percent on the same period of last year. Since last December, software exports via Shandong kept growing for six consecutive months.

Of the total exports in the five-month period, exports to Japan made up 7.95 million dollars worth, or 82.9 percent, up 48.2 percent, and exports to Hong Kong accounted for 1.11 million dollars worth, up 330 percent.

## **HONGKONG AND MACAU**

### **Politics**

- HK top officials continue reform promotion (6<sup>th</sup> June)

(Xinhua) -- Donald Tsang, Chief Executive of Hong Kong Special Administrative Region (HKSAR), and his political team toured across Hong Kong again Sunday to garner support for the 2012 package of political system reform.

Tsang and Chief Secretary Henry Tang promoted the message in different shopping centers at the Hong Kong Island and the Kowloon Peninsula respectively, while Financial Secretary John Tsang and Secretary of Justice Wong Yan Lung visited the New territories.

Other bureau secretaries and political appointees also joined the visits.

Officials of the HKSAR government have been touring Hong Kong since May 29 to promote the 2012 package of political system reform. They would reach out to people from all walks of life in the city through various channels to solicit their support for the reform package.

The 2012 package of political system reform refers to a package of proposals on the methods of selecting HK's Chief Executive and on forming the city's Legislative Council (LegCo) in 2012.

The package was announced by the HKSAR government on April 14. It is expected to be put to vote before the LegCo recess starting mid-July this year.

### **Social front**

- HK holds Joint World Conference on Social Development (10<sup>th</sup> June)

(Xinhua) -- The 2010 Joint World Conference on Social Work and Social Development: The Agenda opened here Thursday, attracting about 3,000 participants from 113 countries and regions.

The five-day conference, organized by the International Association of Schools of Social Workers, the International Council on Social Welfare and the International Federation of Social Workers, focuses on discussing problems of ageing populations, income disparity and strategy to respond to climate changes and natural disasters.

Speaking at the opening ceremony, Sha Zukang, United Nations Under-Secretary General for Economic and Social Affairs, said that poverty eradication, counter-starvation strategy, public health and environment issues as well as partnership relations are common concerns among countries and in a way connect with each other.

Sha hoped that participants take back the spirit and action agenda to their countries and communities in order to improve the well being of their people.

- HK approves 98.91 mln HKD for disaster relief in 2009/10 (11<sup>th</sup> June)  
(Xinhua) -- The Hong Kong government released 98.91 million HK dollars from the Disaster Relief Fund to provide immediate relief to people in distress outside Hong Kong in the year ending March 31, 2010, according to the government website on Friday. For 2009/10, assistance was given through 19 relief projects operated by six relief organizations to help needy victims affected by calamities that had befallen them. The relief projects included 5.3 million HK dollars approved for relief of typhoon victims in Bangladesh and India; 55 million HK dollars for relief of typhoon victims in Taiwan; 8 million HK dollars for earthquake victims in Haiti; 2 million HK dollars for earthquake victims in Chile, 1.4 million HK dollars for drought victims in Guangxi and Yunnan, and some other ones.

Relief organizations receiving grants from the Fund are required to submit evaluation reports and audited accounts to the Hong Kong government on the use of the grants after the completion of the relief projects.

The Fund is operated from a capital amount of 50 million HK dollars provided by the Hong Kong government when it was established. The government tops up the fund at the beginning of each financial year and applies to the Finance Committee of the Legislative Council for additional funding as necessary during the financial year, depending on calls for relief and the size of the fund balance and commitments.

The Disaster Relief Fund Advisory Committee is responsible for advising the government on the policy and practices regarding the disbursement of funds for disaster relief, advising on specific amounts to recipients, and monitoring the use of grants. (7.791 HK dollars = 1 U.S. dollar)

## **Economic front**

- Macao's credit cards in circulation up 2.47% in Q1 (7<sup>th</sup> June)  
(Xinha) -- A total of 368,124 personal credit cards were in circulation in Macao at the end of March 2010, an increase of 2.47 percent over the previous quarter, according to figures released Monday by the Monetary Authority of Macao Special Administrative Region (SAR).

Of the credit cards, the number of pataca cards, Hong Kong dollar cards and RMB cards respectively reached 94,462, 56,149 and 17,513, which went up by 2.56 percent, 0.15 percent and 8.99 percent quarter-to-quarter, the figures indicated.

Compared with a year earlier, RMB cards surged 99.97 percent in the first quarter while pataca cards and HK dollar cards grew by 10.3 percent and 2.07 percent respectively.

The introduction of Pataca/RMB dual currency credit cards by local banks in the second half of 2009 largely accounted for the marked increase of RMB cards in Macao, the Monetary Authority said.

Meanwhile, credit card credit limit granted by banks in Macao amounted to 6.66 billion patacas (833 million U.S. dollars) in the first quarter of 2010, rising by 2.52 percent over the previous quarter.

The delinquency ratio, which is the ratio of delinquent amount overdue for more than three months to credit card receivables, was 1.22 percent, according to the Monetary Authority.

Local credit card turnover decreased by 1.61 percent quarter-to-quarter to 1.81 billion patacas (226 million dollars), with the cash advance turnover amounted to 120 million patacas (15 million dollars), accounting for 6.37 percent of the total, according to the Monetary Authority.

- HK's port cargo throughput up 20% in Q1 (7<sup>th</sup> June)

(Xinhua) -- The Hong Kong Census and Statistics Department said Monday the first quarter of 2010 saw the total port cargo throughput grow to 62.8 million tonnes, up 20 percent over a year earlier.

Inward port cargo rose 18 percent to 36 million tonnes and outward port cargo surged 23 percent to 26.7 million tonnes.

On a seasonally adjusted quarter-to-quarter comparison, the total port cargo throughput grew 3 percent in the first quarter. Inward port cargo went up 2 percent and outward port cargo rose 5 percent.

Seaborne cargo increased 21 percent to 42.1 million tonnes on the same period last year, while river cargo rose 18 percent to 20.6 million tonnes.

Imports and inward transshipment grew 8 percent to 18.6 million tonnes and 32 percent to 17.4 million tonnes in the first quarter. Exports (including domestic exports and re-exports) and outward transshipment also rose 8 percent to 9.5 million tonnes and 33 percent to 17.3 million tonnes.

In the first quarter, the number of ocean vessel arrivals rose 6 percent to 7,990, with the total capacity falling 2 percent to 92.6 million net registered tonnes. The number of river vessel arrivals grew 4 percent to 43,020, with the total capacity rising 12 percent to 25.5 million net registered tonnes.

- Funding applications invited for Guangdong-HK technology co-operation (10<sup>th</sup> June)

(Xinhua) -- The Hong Kong government Thursday invited applications for funding support for research and development (R&D) projects under the 2010 Guangdong-Hong Kong Technology Co-operation Funding Scheme (TCFS).

The funding scheme, launched in 2004 by the Hong Kong/Guangdong Expert Group on Co-operation in Innovation and Technology, serves to enhance collaboration among

universities, research institutes and technology enterprises in the two places, and upgrade the technological level of industry in the Greater Pearl River Delta region. The Shenzhen municipal government joined the scheme in 2005.

Since 2007, a category of projects jointly funded by the Guangdong and Hong Kong authorities or the Shenzhen and Hong Kong authorities has been introduced to the scheme to further enhance technology co-operation between the two sides.

A spokesman for the Innovation and Technology Commission of Hong Kong said, "The response to the scheme has been favorable. The two sides have jointly supported over 30 R&D projects since the scheme was established in 2004, with a total funding of about 200 million HK dollars."

Like last year, there are three categories of projects in the scheme. The first category covers projects to be funded by the Innovation and Technology Fund (ITF) of Hong Kong. The second category covers projects to be funded by the Mainland authorities. The third category covers projects to be funded jointly by the Guangdong and Hong Kong authorities or the Shenzhen and Hong Kong authorities.

"There are 19 technology areas under the first category for which Hong Kong companies can submit funding applications. The governments of the two sides will also jointly provide funding support for projects in 11 technology areas under the third category. The technology areas supported under the scheme are relevant to the needs of industry and will enhance economic development in the Greater Pearl River Delta region," the spokesman said.

The ITC is also inviting proposals for forward-looking and innovative applied R & D projects under Tier 3 of the Innovation and Technology Support Program (ITSP) of the ITF. (7.798 HK dollars = 1 U.S. dollar)

- HK, Russia institutes launch 5-year joint project (10<sup>th</sup> June)

(Xinhua) -- The University of Science and Technology (HKUST) and the UC RUSAL, the world's largest aluminium producer, announced here Thursday the launch of a five-year joint project aimed at strengthening scientific and educational ties between Russia and China's Hong Kong.

The project will foster joint scientific research, addressing pressing environmental issues and promoting cooperation between young scientists from the two regions. The total sponsorship budget of the project provided by UC RUSAL is 1.5 million U.S. dollars.

The joint project will be implemented during the academic years 2010/11 to 2014/15 in which a President's Forum will be established where international politicians, businessmen, scholars and scientists will give a series of lectures, sharing their success stories and solutions for global challenges.

An exchange award and scholarship program will also be set up to provide undergraduates and postgraduates from Russia and Hong Kong the opportunity to experience each others' higher education system.

Besides, the project will fund a three-year research program to develop a large-scale pre-insulated fiber reinforced aluminium envelope and roof system, using aluminium composite as an energy- saving and environmentally friendly material.

According to information given by the HKUST, UC RUSAL is the world's largest producer of aluminium, in 2009 accounting for approximately 10 percent and 10 percent of global production of aluminium and alumina, respectively.

- HK construction works gross value up 3.1% (11<sup>th</sup> June)

(Xinhua) -- The total gross value of construction works main contractors performed in the first quarter of 2010 in Hong Kong grew 3.1 percent in nominal terms over a year earlier, to 25.1 billion HK dollars in Hong Kong, the Census and Statistics Department of Hong Kong announced on Friday.

After discounting the effect of price changes, the total gross value of these construction works fell 0.5 percent in real terms over the same period.

The gross value of construction works performed at private- sector sites totaled 6.4 billion HK dollars in the first quarter, down 26.1 percent in nominal terms over a year earlier. In real terms, it fell 29.1 percent. In general, the decrease was evenly spread across the private residential building projects and private commercial building projects.

The gross value of construction works performed at public- sector sites rose 66.1 percent in nominal terms, to 6.6 billion HK dollars in the first quarter. In real terms, it rose 63.7 percent.

The gross value of construction works main contractors performed at locations other than construction sites amounted to 12.1 billion HK dollars in the first quarter, up 3.1 percent in nominal terms over a year earlier. In real terms, it dipped 0.8 percent. (1 U.S. dollar = 7.793 HK dollars)