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SUMMARY: Book reviews

The article reviews the books "Facing China's Rise: Guidelines for an EU Strategy," by the European Union Institute for Security Studies, "The Evolution of the EU-China Relationship: From Constructive Engagement to Strategic Partnership," by Nicola Casarini, and "Embracing the Dragon: The EU's Partnership With China," by Katinka Babysch, Charles Grant and Mark Leonard.

These books focus on EU fascination with China as it is not only China's largest trading partner but now they have political relations as well. These three studies reflect both growing European interest and a European consensus that engagement is the best way to ensure that China develops peacefully.

National report

Political front

- China's cabinet appoints senior officials (18th June)

(Xinhua) -- The State Council, China's Cabinet, Friday announced the appointments of a host of new high-level officials, including Long Xinnan being appointed as vice president of Xinhua News Agency.

In accordance with a circular issued by the State Council, Ding Xuedong was appointed as vice secretary-general of the State Council, and Zhu Guangyao was appointed as vice minister of finance, replacing Ding Xuedong.

Du Jinfu was named as deputy governor of the People's Bank of China, the country's central bank. The State Council also ended Su Ning's and Zhu Min's terms as vice governors of the central bank.

Sun Dawei was named as deputy director of the General Administration of Quality Supervision, Inspection and Quarantine, the country's quality watchdog.

Zhou Ji was appointed as president of the Chinese Academy of Engineering (CAE), while five other academicians -- Pan Yunhe, Xu Rigan, Xie Kechang, Gan Yong and Fan Daiming -- were appointed as vice presidents of the CAE.

Nie Weiguo was named as chief of the executive office with the State Council's Three Gorges Project Construction Committee, replacing Wang Xiaofeng.

Foreign relations

- Chinese president concludes central Asia trip with pledges of closer ties with neighbors (13th June)

(Xinhua) -- Chinese President Hu Jintao returned to Beijing Sunday morning after a five-day trip to Central Asia, where he attended the 10th annual summit of the Shanghai Cooperation Organization (SCO) in Uzbekistan and paid state visits to Uzbekistan and Kazakhstan.

The trip witnessed repeated pledges by Hu and leaders of China's Central Asian neighbors to further advance their relations and join hands in building up the influence of the SCO with the aim of safeguarding regional peace, stability and prosperity.

Hu started his trip Wednesday with a state visit to Tashkent, where he and his Uzbek counterpart Islam Karimov signed a joint statement on the further development of the friendly and cooperative partnership between the two countries.

In Tashkent he attended the SCO's 10th annual summit, where he called for deepening practical cooperation and maintaining peace and stability in the region, and also put forward a series of proposals for enhancing cooperation within the SCO framework.

On the sidelines of the summit, Hu met separately with presidents of Russia, Tajikistan and Turkmenistan and reached important agreements to further enhance the friendship and cooperation between China and these countries.

On Friday Hu traveled to Astana for his second visit to Kazakhstan in six months, where he met with President Nursultan Nazarbayev, Prime Minister Karim Masimov, Senate Chairman Kasymzhomart Tokaev and chairman of the lower chamber of the parliament Oral Muhamedjanov.

The two sides pledged concerted efforts to further deepen strategic partnership, expand comprehensive cooperation and strengthen coordination on regional and international affairs.

The two leaders agreed that it is a far-sighted decision of historic significance to establish strategic partnership based on equality and mutual trust between the two countries, which would contribute to deepening comprehensive cooperation, enhancing friendship between the two peoples and safeguarding regional security.

They also agreed the two 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.

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

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 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.

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.

Political analysts say Hu's Central Asia trip is conducive to promoting the SCO's sustained, healthy and stable development and strengthening China's ties with Uzbekistan and Kazakhstan.

- China, Zimbabwe pledge to enhance military relations (13th June)

(Xinhua) -- China values its traditional friendship with Zimbabwe and hopes to push forward relations between the two countries as well as the two armed forces, said Chinese Defence Minister Liang Guanglie here on Sunday.

Liang made the remarks in a meeting with Zimbabwean Commander of Defence Forces Constantine Guveya Chiwenga.

Liang hailed the traditional friendship between the two countries. He spoke of Zimbabwe's defence forces as a "good friend and partner" of People's Liberation Army (PLA).

Since the establishment of China-Zimbabwe diplomatic ties 30 years ago, cooperation between the two nations had continuously deepened in the areas of politics, economics and trade, culture, education and health, Liang said.

China expressed appreciation for Zimbabwe's firm adherence to the one-China policy and its support to China's peaceful reunification, said Liang. He also thanked Zimbabwe for support on issues concerning China's core and major interests.

Chiwenga expressed appreciation for China's long-standing support to Zimbabwe in various areas. He reaffirmed that his country would continue to stick to the one-China policy and was willing to further enhance exchanges and cooperation between the two armed forces.

He also said Zimbabwe attached great importance to cooperation with China, and hoped to strengthen friendly cooperation with China within the framework of China-Africa Cooperation Forum.

Earlier Sunday, Chiwenga also met with Chief of the General Staff of the PLA Chen Bingde.

- China, Ireland seek to further cement ties (13th June)

(Xinhua) -- China and Ireland on Sunday pledged to cement their relationship and expand cooperation.

The pledge came out of the meeting between Chinese Vice President Xi Jinping and Irish President Mary McAleese, who was here to attend the Shanghai World Expo's Irish National Pavilion Day on June 17.

Praising the "strategic view" of the Irish government in developing relations with China, Xi said the two countries should take a long-term view of the relationship in consideration of China-Europe relations and the international situation, respect each other and strengthen cooperation.

"China will work with Ireland to promote the continuous development of bilateral relations," Xi said.

McAleese hailed the smooth development of Ireland-China relations, growing trade and cooperation between the two countries in the 30 years since the establishment of ties.

She said Ireland would continue to promote its Asia strategy with China at the core.

The two sides also proposed suggestions to further cement ties.

Xi said the two countries should maintain high-level exchanges of visits, strengthen communication and coordination on major international and regional issues, including international political and economic order, climate change and non-proliferation, and strengthen political mutual trust.

The two sides should encourage cross investment, and exploit cooperation in such areas as information and communications, bio-pharmacy, energy efficiency and environmental protection, Xi said.

They should strengthen exchanges and cooperation in culture, education and technology, promote people-to-people exchanges, so as to increase mutual understanding and friendship, he said.

McAleese said Ireland hoped to maintain high-level contacts with China, expand reciprocal cooperation, strengthen communication and coordination under multilateral frameworks, such as the United Nations and the Asia Europe Meeting, and jointly promote world peace, stability and prosperity.

She also wished the Shanghai Expo a great success, saying she hoped it would deepen the friendship between the Chinese and Irish peoples.

McAleese arrived in China Sunday and is scheduled to leave Beijing for Shanghai on Wednesday. During her stay in Shanghai, she will attend activities of the Irish National Pavilion Day, and tour the Irish and Chinese pavilions.

- China firmly opposes EU declaration involving Chinese human rights case (13th June)

(Xinhua) -- China strongly opposes a declaration issued by the European Union on a Chinese human rights case, said Foreign Ministry spokesman Qin Gang here Sunday. Qin made the remarks in response to a question on China's attitude towards the EU declaration.

The EU said in its declaration that it regrets the decision of the higher people's court of Sichuan Province to confirm the sentence of Tan Zuoren to five years in prison for "subversion of state power."

It also appeals to the Chinese government to release Tan unconditionally.

Tan Zuoren, a former magazine editor, was sentenced in February on the charge of inciting subversion of state power. This week, the Sichuan provincial higher people's court upheld Tan's five-year prison term.

Qin said, China's justice department handled the case independently according to the Chinese law.

The EU declaration has interfered in China's judicial affairs," Qin said. "China firmly opposes and is strongly dissatisfied over it."

Qin hoped the EU would respect China's judicial sovereignty and safeguard the overall situation of Sino-EU relations.

- China-Bangladesh relations lauded in Bangladesh (14th June)

(Xinhua) -- China-Bangladesh relations are lauded by many Bangladeshis who believe high-level exchanges between the two countries will further advance their bilateral ties.

Chinese Vice President Xi Jinping will pay an official visit to Bangladesh on Monday and Tuesday at the invitation of Bangladeshi Prime Minister Sheikh Hasina Wajed.

The upcoming visit of the Chinese vice president will advance the bilateral relations between China and Bangladesh to a new level, S.A. Sikder, secretary general of Bangladesh-China People's Friendship Association (BCPFA), said in an exclusive interview with Xinhua on Saturday.

"I believe the visit will open a new chapter in the relations between the two countries," Sikder said.

"The Chinese vice president's visit comes three months after Hasina's visit to China, which shows that China has attached importance to strengthening the relations with Bangladesh," he said.

China and Bangladesh have maintained good relations since they forged diplomatic ties in 1975, he said.

The past 35 years have witnessed active and in-depth people-to-people exchanges between the two countries, he added.

BCPFA, established in 1986, is one of the most active organizations in Bangladesh which is friendly to China. It sends several delegations to China every year, and organizes seminars and parties to strengthen communications between the two peoples.

Chinese People's Association for Friendship with Foreign Countries (CPAFFC) and BCPFA will celebrate the 35th anniversary of establishment of diplomatic relations between the two countries this year, he said.

A group of Chinese medical experts will visit Bangladesh to offer free medical treatment to the country's cataract patients, he added.

"We are preparing for the trip by CPAFFC to make the joint program a great success," Sikder said.

Enayetullah Khan, senior adviser and also the initiator of Bangladesh Center for China Studies (BCCS), told Xinhua that the Chinese vice president's visit would definitely enhance the friendly relations between China and Bangladesh.

BCCS, established in December last year, is the first center in the country for the Chinese studies. It focuses on China's policy, China's development as well as China-Bangladesh and China-U.S. relations.

"China has supported Bangladesh in its economic development in the past 35 years and Bangladesh has supported China on many issues concerning China's core interests, which reflect the friendly relations between the two countries," Khan said.

"China and Bangladesh share common values, common interests and common views on many issues. Development of good bilateral ties will benefit the two countries and the two peoples," he said.

"Bangladesh is still one of the world's least developed countries. We should learn the successful experience from China. We hope China can give us more help in our country's economic development," Khan said.

China pursues the Five Principles of Peaceful Co-existence, including the policy of non-interference in other countries' affairs, which is agreed by the Bangladeshi government and people, he said.

Both Sikder and Khan said, "With the joint efforts of the two governments and the two peoples, the relations between China and Bangladesh will improve continually."

- China, Lithuania pledge to upgrade trade co-op (15th June)

(Xinhua) -- Increasing trade cooperation between China and Lithuania has boosted bilateral relations, a senior official of the Communist Party of China (CPC) said here on Monday.

Lithuania is "China's important trading partner in the Baltic Sea region," He Guoqiang, member of the Standing Committee of the Political Bureau of the CPC Central Committee and secretary of the CPC's Central Commission for Discipline Inspection, said during his meeting with Lithuanian Prime Minister Andrius Kubilius.

China encourages its enterprises to be involved in mutually beneficial cooperation in Lithuania and welcomes Lithuanian enterprises to promote the sales of their best products on the Chinese market, He said.

Bilateral trade between China and Lithuania increased 27 times from 2000 to 2008, followed by a growth of nearly 22 percent in the first quarter of this year despite the global financial crisis, showing great potentials and prospects, He said.

He hailed the smooth development of relations between China and Lithuania over the 19 years since the establishment of diplomatic ties, saying that both sides have strengthened their political mutual trust, achieved fruitful results in bilateral economic and trade

cooperation, and maintained close communication and coordination in international affairs.

Kubilius said that Lithuania has positive views on China's growing international influence, and sees great opportunities to further bilateral cooperation.

Lithuania welcomes Chinese entrepreneurs to join hands with Lithuania in its economic development and raise their bilateral economic and trade cooperation to a new high.

He Guoqiang and Kubilius witnessed the signing of four agreements on bilateral economic and trade cooperation.

The senior CPC official is on a five-nation tour. Before Lithuania, He has already visited Italy, Iceland and Norway. He will also travel to Turkmenistan.

- China hopes for peace, stability and development in Kyrgyzstan: Foreign Ministry (15th June)

(Xinhua) -- China hopes the people of Kyrgyzstan will overcome the difficulties they face and realize peace, stability and development, Foreign Ministry spokesman Qin Gang said Tuesday.

As a friendly neighbor, China is highly concerned by the unrest in southern Kyrgyzstan, Qin said in a statement.

The primary task for Kyrgyzstan is to normalize social order and restore social stability, Qin said.

The death toll from the ethnic riots that began June 10 in southern Kyrgyzstan has risen to 170 while 1,762 have been injured, Kyrgyzstan's health ministry said Tuesday.

The Collective Security Treaty Organization (CSTO), a regional security group of former Soviet republics, said at a meeting Monday it will not rule out the use of any measures to normalize the situation in Kyrgyzstan.

"China has taken note of the CSTO meeting on the Kyrgyzstan situation and understands the organization's efforts to preserve peace and stability in central Asia," said Qin.

"China has offered emergency humanitarian aid to the country and we sincerely hope the people of Kyrgyzstan will overcome the difficulties they face," the spokesman said.

- DPRK new vice premier reiterates importance of boosting ties with China (15th June)

(Xinhua) -- A new vice premier of the Democratic People's Republic of Korea (DPRK) said Tuesday that it is the DPRK's consistent stance to consolidate and expand friendly ties with China in various fields including politics, economy and culture.

Ri Thae Nam made the remarks during a meeting with a government delegation from China's northeastern Jilin province.

Ri said top DPRK leader Kim Jong Il's recent visit to China was a historic event in bilateral relations.

He said the DPRK people are pleased to see the achievements of the Chinese people and that the Shanghai World Expo is displaying the rising power of China.

Jilin province, which maintains friendly links with several DPRK provinces, has made great contributions to the DPRK-China friendship, the vice-premier said.

The head of the delegation, Jilin Vice Governor Chen Weigen, congratulated Ri on taking up the post of vice-premier.

Chen said Jinlin province, which borders the DPRK, has cooperated with several DPRK provinces for decades.

The delegation arrived here Monday and will wrap up its visit Wednesday.

Ri was elected vice-premier in the third session of the DPRK's 12th Supreme People's Assembly on June 7.

- Irish president says relationship with China has "bright future" (15th June) (Xinhua) -- Irish President Mary McAleese said here Tuesday she believes the relationship between Ireland and China "has a very bright future."

McAleese, who came to China to attend the Shanghai World Expo's Irish National Pavilion Day on June 17, made the remarks in a speech on Ireland-China relations at the Renmin University in Beijing.

China and Ireland in June 2009 celebrated the 30th anniversary of the establishment of diplomatic relations.

Last year also marked the 10th anniversary of Ireland's Asia Strategy, which has China at its heart.

"The 30 years have seen great economic and social developments in both countries, and also the development and maturing of our bilateral relationship," McAleese said.

She said the bilateral relationship has widened and deepened to encompass not only intensified political and trade relations, but also a blossoming of exchanges and relationships in areas such as education, food and agriculture, tourism, and investment.

By any standard trade between Ireland and China is a remarkable success that continues to grow strongly, she said, pointing out that the number of Irish companies with a permanent presence in China has tripled in the last five years.

The two nations also enjoy strong growth in cultural and human exchanges, McAleese said, noting that Ireland is home to two Confucius Institutes and that there has been a surge of interest in Ireland in studying Chinese.

McAleese spoke highly of China's reform and opening up policy and expressed appreciation for "the extraordinary efforts by the Chinese government to ensure effective economic stimulus in the wake of the international financial and economic crisis of 2008."

"As we look to the next phase of our bilateral relationship, I am struck by the changes in China even since my last visit here seven years ago, and these changes are intensifying," she said.

McAleese said there is no doubt the Special Olympics of 2007, the Beijing Summer Olympics and Paralympics of 2008, and the Shanghai Expo in 2010 have opened new and exciting windows for the world into China.

It is clear China's economic and social model continues to develop, she said.

"As China adjusts its economic model to focus more on technologically sophisticated products, I see great scope for us to enhance our cooperation in areas where Ireland has relevant expertise such as education, culture, software and high technology, biotechnology and the life sciences, environmental matters, food, agriculture and animal husbandry, to name but a few," she said.

"Even though our two countries are separated by a great geographical distance, divergent cultural and historic experiences and perspectives -- while China is very big, Ireland is

very small -- in reality there are no barriers to a successful and collegial relationship," McAleese said.

Such a relationship between peoples and nations are the guarantee of a world of friendly, peaceful and fair nations, she said.

McAleese arrived in China Sunday and is scheduled to leave Beijing for Shanghai on Wednesday. During her stay in Shanghai, she will attend the activities for the Irish National Pavilion Day and tour the Irish and Chinese pavilions.

- Kyrgyzstan unrest adds new edge to global powers' regional rivalry (16th June)

Deutsche Welle

The Central Asian nation's worst ethnic violence in decades, which has reportedly left at least 179 people dead, many more injured and has forced tens of thousands to flee their homes, has wider implications in a region full of strategic and geopolitical importance for the world's biggest powers.

The violence that erupted on Friday between Kyrgyz and Uzbek clans may have been ignited by the escalating tensions between the country's two dominant ethnic groups but the conditions for the fighting have been created by the on-going unstable political situation in Kyrgyzstan; a situation that has the fingerprints of the world's most influential nations all over it.

Kyrgyzstan's wider role in international affairs is such that Russia and the United States continue to jostle for military influence there while China, which shares a 530-mile border with Kyrgyzstan, pursues significant strategic and economic interests in the country and its surrounding region.

This most recent uprising stems from the ousting of the Washington-friendly regime of President Kurmanbek Bakiyev in April which left the country in turmoil. Bakiyev's removal from power and the rise to power of the current provisional government has not only allowed ethnic tensions to reach boiling point in Kyrgyzstan but could trigger a new struggle for proxy control of the country and the regional benefits which come with it.

Bakiyev's installation as president in 2005 with US backing may have provided Washington with a friendly government with whom to do business with but it also gave the US a significant foothold in a country that some strategists believe is paramount to its plans for regional dominance.

Regional unrest could put US objectives under threat

Experts say that it has been a prime US strategic objective to increase its influence in the former Soviet states of Central Asia since the collapse of the Soviet Union in 1991. The inclusion of Kyrgyzstan and three other central Asian states in NATO's Partnership for Peace program in 1994, was seen as a major step toward increasing US military presence in the region which eventually led to the US base at Manas, outside Bishkek in the north, being established.

"During the April unrest, the US Manas Airbase was closed and the vital supply route for sending military hardware and troops to Afghanistan was not being used," Asher Pirt, an expert on Central Asian affairs and military issues, told Deutsche Welle. "The US needs a stable Kyrgyzstan in order to keep the supply route working."

"There is also the possibility of Uzbek intervention in the restive Osh region due to the fact that Uzbeks are being killed and hurt in the violence and any such intervention is likely to lead to further instability and will continue cause problems with the US principle supply route to Afghanistan and its troops deployed there," he added.

"Another issue is if the instability spreads throughout the rest of Central Asia and there is a rise of Islamic extremism this could significantly affect US interests in the region."

US presence increases Russia's concern over NATO plans

While Manas remains a key hub for US operations in Afghanistan, it is also used as a NATO base - a situation which angers and concerns Russia which fears the eastern enlargement of its former Cold War opponent, putting Kyrgyzstan at the center of a power struggle for regional influence.

"The current unrest is a major threat to the authority of the Kyrgyz government," Dex Torrike-Barton, an international security analyst, told Deutsche Welle from Kyrgyzstan.

"The provisional government is still very weak. If violence spreads beyond the cities currently affected, then we could see major political instability. In that context, all bets are off the table on whether the US can retain its airbase in the country. There are plenty of political factions in Kyrgyzstan who don't want to see the Americans keep any sort of foothold in the country. If Russia or the Collective Security Treaty Organisation - the regional defence alliance - ultimately ends up intervening, the same result is likely."

Russia, which itself has its own military base at the Kant airbase near Bishkek and a strategic naval base on Lake Issyk-Kul, is highly suspicious of the United States' interest in Kyrgyzstan and the wider Eurasian region. Since the US-backed Bakiyev regime was ousted in April, Moscow has unsurprisingly been the biggest supporter of the new provisional government, presumably in the hope that if order is restored the swing of influence will return to Russia.

Washington's plans for the regions sit very uncomfortably with the Kremlin. While the US may justify that its increased influence is mutually beneficial by claiming its presence will help stop the spread of Islamic fundamentalism in Central Asia and solve the hugely destabilizing problem of Afghanistan, Russia believes the US has another agenda. The Kremlin says that Washington is aiming to prevent Russian and/or Chinese hegemony while securing energy resources and pipelines.

Moscow fears ethnic instability on Russia's borders

Russia has its own interests of course. As well as the obvious future of regional energy security, Russian domestic security is heavily linked to the stability of the countries on its borders. Regardless of whether there is a Kremlin-friendly regime in place or not, Kyrgyzstan is of huge importance when it comes to the stability or instability of Russia's neighbours.

With states throughout Russia's Central Asian periphery simmering with ethnic tensions, Moscow doesn't need a civil war sparking a wider conflict on its doorstep, one which could spread to within its borders and explode in its cities.

"Russia wants a stable international neighbourhood," Torrike-Barton said. "Violence, especially with an ethnic or religious dimension, could potentially become contagious throughout the region. The brutalization of the Uzbek community in Kyrgyzstan could fuel Islamic extremism - and there is no greater nightmare for a Russian state still dealing with insurgent forces in the Caucasus."

"It is not in Russia's interests to have an unstable Kyrgyz Republic as it will affect their interests in Central Asia," Asher Pirt added. "The main interest is the fact that Moscow is concerned about instability spreading from the region to its own country. A stable region without ethnic unrest or religious extremism is a strategic goal for Russia. Furthermore, Moscow cares about the status and the wellbeing of its ethnic Russians or compatriots."

"Russia is unlikely to intervene unless it felt that the situation was going to make the region unstable or ethnic Russians or compatriots were in danger. However, the Kyrgyz Provisional Government would very much like the Russians to intervene. At present it is unlikely that this will happen but if the violence escalates, Moscow might decide that it has to."

Russia is also concerned about the possibility of being encircled by NATO member states should the alliance go ahead with its provocative eastern enlargement. Having Kyrgyzstan onside, especially as a partner in the Shanghai Cooperation Organization - the emerging Eurasian economic and military cooperation organization - would mean that Russia would continue to have a significant obstacle in its plan to block NATO expansion.

China wants to protect economic interests, secrets from USChina also has much to be concerned about. Beijing has clear strategic interests in a stable and friendly Kyrgyzstan but also in keeping the United States from dominating the region.

China was the main financial benefactor of President Askar Akayev, a former US-backed leader who was dropped by Washington as soon as he took China's cash, and its huge economic clout remains Beijing's strongest weapon in retaining a foothold in Kyrgyzstan. While this is seen as crucial for China's own plan of spreading its influence throughout Central Asia, it is also an important factor in reducing the chances of the US doing the same.

The Chinese see increasing US influence as not only a threat to its plans for Eurasia, which along with promoting its emerging market policy also includes energy security and supply, but also a threat to the People's Republic itself.

China's border with Kyrgyzstan runs along the outer reaches of the politically sensitive Xinjiang Province where ethnic Uighurs rioted in July 2009.

"Kyrgyzstan is the number one export market for Xinjiang," said Torriker-Barton. "It's a profitable destination for Chinese goods and labourers, so there's an important economic dimension driving Chinese policy toward Kyrgyzstan. But like Russia, the key priority is security. An unstable Kyrgyzstan with a restive Muslim population does not help Chinese efforts to preserve stability in Xinjiang and the Uighur community."

While Beijing would be concerned by the possibility of an upsurge in ethnic violence stirring up further unrest in Xinjiang, it is more concerned that the porous nature of the border is allowing US intelligence agencies to run covert destabilizing operations into the strategically vital and politically fragile province. Beijing believes the flow of people across the border gives US operations a perfect cover.

"China is unlikely to intervene in the crisis, and despite its economic influence and status as a patron for many Kyrgyz politicians, has limited capacity to affect the current situation," Torriker-Barton added. "Without greater Chinese involvement in settling the violence, I doubt we'll see many repercussions for US-China relations."

With so much suspicion, distrust and power games at play between the world's most powerful nations, the future of Kyrgyzstan may not only shape the region but have an equally important influence on global politics.

Author: Nick Amies

http://www.dw-world.de/dw/article/0,,5682657_page_2,00.html

- Gambia boosts Taiwan ties (16th June)

(Gambia) - GAMBIA, which has chosen to support Taiwan instead of China, has signed a new economic partnership agreement with the island nation, the country's economic planning ministry said on Wednesday.

Gambia is one of few African countries who do not support the One-China policy acknowledging Beijing's view that Taiwan is part of its territory, at a time when China is pumping billions of dollars into the continent.

According to a statement from Gambia's economic planning and industrial development ministry, the agreement is amongst others, 'aimed at intensifying economic cooperation for the mutual benefit of both states.' 'The agreement will further create a conducive environment and stimulate business initiatives of investors and will create prosperity in both states.'

Gambia, the smallest country on the African mainland, is surrounded by Senegal who just last month reiterated its support of China.

Taiwan - which seceded from mainland China after the civil war of 1949 - has poured millions of dollars into the health, education, agriculture and infrastructure sectors of resource-poor Gambia.

Currently, Taiwan is funding the 22 million dollar (S\$30.7 million) construction of a 42 kilometre road linking the western part of the country to the capital Banjul. Growing ever stronger on the international stage, Beijing has in recent years convinced several countries that had sided with Taiwan in 1949 to switch their support. -- AFP

http://www.straitstimes.com/BreakingNews/Asia/Story/STIStory_541312.html

- N.Korea compensates Chinese (16th June)

SEOUL - NORTH Korea has paid thousands of dollars in compensation to the relatives of three Chinese nationals shot dead by its border guards this month, an online newspaper said on Wednesday.

Daily NK quoted an unidentified North Korean businessman in Dandong, China, as saying that a North Korean delegation visited the border town this week and apologised over the shooting on June 4.

The delegation paid US\$3,000 (S\$4,186) each to the families of the victims in accordance with a treaty between the two allies, he said.

Three Chinese nationals were killed and one injured when North Korean border forces opened fire along the shared frontier on June 4, according to China's state media. Beijing, which provides vital economic and diplomatic support to the impoverished North, lodged a formal diplomatic protest with Pyongyang over the killings, in a rare show of discord between the allies.

The Chinese, all of whom lived in Dandong, were suspected of crossing the border to engage in illegal trade, China's state news agency Xinhua said. But according to Daily NK, the North Korean border guards fired on the Chinese as they tried to get away following an altercation over overdue payment owed to the North Koreans.

The North Korean delegation told Dandong authorities that those responsible would be severely punished for both killing Chinese nationals and trafficking in antiques, it said. Defectors say some North Koreans smuggle out antiques, paintings or other valuable items but such crime is not common because of tight security. -- AFP

http://www.straitstimes.com/BreakingNews/Asia/Story/STIStory_541121.html

- Expert sees need for more China-U.S. communication channels (16th June)

(Xinhua) -- A noted U.S. foreign policy expert said Tuesday China and the United States should open more channels of communication to solve problems facing the two countries. What China and the United States needed to do was to "open many, many more channels of communication, in order to see how the two of us can move forward, in order to see where our interests coincide and where our interests differ and where they differ," George D. Schwab, president of the National Committee on American Foreign Policy (NCAFP), told Xinhua in an exclusive interview.

"Let us talk to see how we can overcome (the differences)," said the professor, who is also a member of the Council on Foreign Relations, a well-known non-partisan research organization and think tank specializing in U.S. foreign policy and international affairs.

Schwab co-founded the NCAFP, an American non-partisan foreign policy think tank, in 1974, and has served as its president since 1993. He is also the editor of the organization's bimonthly journal, American Foreign Policy Interests.

While praising the Economic and Strategic Dialogue mechanism between the two countries, he said, "I would strongly urge at different levels that mil-to-mil (military to military) would be very important, especially navy mil-to-mil, because friendship between our two countries are essential, absolutely essential."

"And through communication we can strengthen our bonds," added Schwab, a reputed renowned author, editor and translator.

Speaking of the importance of dialogue and communication, he said, if the two countries continued to talk and negotiate, many problems could be solved.

"I'm convinced of it because we have been doing it for the last 14 years. There is a broad understanding of what is to be done," he said.

Speaking of the Taiwan issue, Schwab said, "We are in accord with your country on the issue of cross-strait relations," adding the United States was "committed ever since (former U.S. President Richard) Nixon's days to a 'one-China' policy, which is of course extremely important to you."

"Our national security interest dictates that there should be no conflict across the straits," he said.

Schwab, who just returned from a China trip, said he was "struck" by China's immense change.

"I just returned from Beijing and Shanghai. I led the group from the National Committee of American Foreign Policy. We talked to the leadership in Beijing. And what struck me was the sense in Beijing that China is changing very rapidly," he said.

Schwab told Xinhua he did not believe there was any possibility of confrontation between the two countries either in the economic or the military front.

"I don't see this. Not at the present time," he said.

"We tend to compete economically like we compete with the EU countries, but I do not see military confrontation coming. Not now."

- Highlights of Chinese vice president's visit in Bangladesh, Laos (16th June)

(Xinhua) -- Chinese Vice President Xi Jinping Tuesday concluded his two-day official visit in Bangladesh and started an official visit to in Laos.

The following are highlights of Xi's activities on Tuesday.

DHAKA -- Xi met with Khaleda Zia, chairperson of Bangladesh's main opposition Bangladesh Nationalist Party (BNP).

He highly lauded what Zia has done in pushing the development of relationship between China and Bangladesh. Zia served twice as Bangladesh's prime minister

"We believe with the joint efforts of both sides, the closer comprehensive partnership of cooperation from the strategic perspective and on the basis of the principles of longstanding friendship, equality, and mutual benefit will make new progress and benefit both peoples," he said.

DHAKA -- Xi met with Bangladesh's Parliament Speaker Abdul Hamid Tuesday.

He highly lauded the comprehensive development achieved in bilateral relationship since China established diplomatic relationship with Bangladesh 35 years ago.

He reiterated that China would like to work with Bangladesh to push forward the closer comprehensive partnership of cooperation.

DHAKA -- Xi met with Bangladeshi President Zillur Rahman Tuesday.

Xi said since China and Bangladesh established diplomatic relationship 35 years ago, the relationship between the two countries has stood the test of changes of situation in the world arena and continually moves forward.

The cooperation in all the areas is very fruitful and has brought real benefit for the two peoples and also plays an active role in maintaining regional stability, peace and development, he said.

VIENTIANE -- Xi arrived in Vientiane, capital of the Lao People's Democratic Republic Tuesday, kicking off his official visit to the country.

In a written speech at the airport upon his arrival, Xi said China and Laos boast profound traditional friendship, and last year the two countries have established a comprehensive strategic partnership.

Laos is the second leg of Xi's four-nation trip, and he will also visit New Zealand and Australia.

- Greece, China pledge to boost friendly cooperation (16th June)

(Xinhua) -- Visiting Chinese Vice Premier Zhang Dejiang and his Greek counterpart Theodoros Pangalos on Tuesday agreed to enhance bilateral cooperation in various areas including economy, education, culture and international affairs.

Zhang said that China is willing to cooperate with Greece to push forward their comprehensive strategic relations.

China is ready to cooperate with Greece to expand bilateral trade and investment, and strengthen mutual understanding and friendship between the two countries, he said.

China is also willing to expand its import of Greek products and hopes that Greece could provide convenience and support for Chinese enterprises that made investments or started businesses there, said Zhang.

He also urged the two sides to boost maritime cooperation.

Pangalos hailed China-Greece relations as "excellent," saying Greece will continue to strengthen its strategic relations with China, and carry out effective cooperation in regional and international issues.

Pangalos said Greece also hoped that the two governments could strengthen cooperation in maritime affairs, trade and economy and investment so as to achieve common development.

The two nations signed a total of 14 cooperation agreements on Tuesday in the presence of the two vice premiers.

- China says Pakistan nuclear deal 'peaceful' (17th June)

China has said its civilian nuclear co-operation with Pakistan is peaceful.

A spokesman for the Chinese foreign ministry said its plan to provide Pakistan with two new reactors was in line with international obligations.

Earlier this week, the United States expressed concern at the deal.

Fears over Pakistan's nuclear activities rose in 2004 after a top scientist admitted leaking nuclear technology to North Korea, Libya and Iran.

Relations between Pakistan and its neighbour India are also of continuing concern. Both are nuclear-armed.

'Supervision'

China's foreign ministry spokesman said: "I want to stress that the civilian nuclear co-operation between China and Pakistan is in line with each side's international obligations. "It is for peaceful purposes, and is under the supervision of the International Atomic Energy Agency," he told a news briefing in Beijing.

On Tuesday the US state department said it had asked China to clarify the details of its sale of additional nuclear reactors to Pakistan.

"This appears to extend beyond co-operation that was grandfathered when China was approved for membership in the Nuclear Suppliers Group," it said.

The 46-nation group regulates trade in "dual-use" nuclear fuel and technology to ensure material meant for civilian energy use is not diverted into clandestine nuclear weapons programmes.

The United States is a key ally of Pakistan. It has its own civilian nuclear co-operation accord with Pakistan's rival, India.

Pakistan would like a similar deal with the US, reports say, but continued fears over its proliferation record remain a major stumbling block.

In May 2009 Pakistan denied it was expanding its nuclear arsenal after the US said it had unearthed new evidence that it had done so.

Pakistan built its first nuclear power station in 1972 in Karachi with the help of Canadian experts.

But Western countries, lobbied by the US, later halted co-operation amid fears that Pakistan was secretly developing nuclear weapons.

Pakistan currently has three nuclear reactors, one for military use. The two to be built by China will take its number of civilian reactors to four, the BBC's Syed Shoaib Hasan in Karachi says.

http://news.bbc.co.uk/2/hi/world/south_asia/10340642.stm

- Chinese, Mozambican PMs agree to further build cooperation (17th June)

(Xinhua) -- Chinese Premier Wen Jiabao held talks with his Mozambican counterpart Aires Bonifacio Baptista Ali here on Thursday, vowing to facilitate bilateral cooperation in energy, mine exploration and agriculture fields.

Wen hailed the progress of bilateral relations since diplomatic ties were forged 35 years ago, saying that the two countries always had supported each other's core interests and major concerns.

China values its relations with Mozambique and hopes to maintain high-level exchanges with the country and enhance consultations at various levels, Wen said.

He stressed bilateral coordination within the framework of the Forum on China-Africa Cooperation and other international organizations including the United Nations.

Ali, who is on a six-day China tour, appreciated China's support to his country in its national independence cause and country building.

He told Wen that Mozambique attaches great importance to its relations with China and firmly adheres to the one-China policy. He invited more Chinese companies to invest in his country.

In response, Wen said China encourages reliable and promising Chinese companies to invest in Mozambique, calling on both sides to explore cooperation in energy, agriculture and mine exploitation.

The Chinese premier said China had offered unconditional economic and technological aid to Mozambique over the years, vowing to continue to help the country improve its people's living standards.

Ali arrived in Beijing on Wednesday to start his working visit to China. Besides Beijing, he will also visit central China's Hubei Province and Shanghai.

- China, Pakistan pledge to strengthen defense ties (17th June)

(Xinhua) -- China and Pakistan pledged to strengthen defense ties Thursday at a meeting between Chinese Defense Minister Liang Guanglie and visiting Pakistani Chief of Army Staff Ashfaq Parvez Kayani.

"Cooperation between the Chinese and Pakistani armed forces is exemplary and has been fruitful," Liang, also a state councilor, said during the meeting at Diaoyutai Guest House Thursday morning.

Liang said the two sides should make continuous efforts to conduct their cooperation programs well.

He said China would join hands with Pakistan to bring military relations to a new high.

Kayani said Pakistan values its defense and security cooperation with China, noting that the two countries have cooperated fruitfully in national defense industries in recent years.

He added Pakistan would further strengthen exchange and cooperation with China.

Kayani also met with Chinese State Councilor and Minister for Public Security Meng Jianzhu, top Chinese legislator Wu Bangguo, and Vice Chairman of China's Central Military Commission Guo Boxiong later Thursday.

During the meeting with Meng Jianzhu, the two sides discussed bilateral cooperation in law enforcement and security.

Hailing results achieved in the two fields, Meng pointed out Pakistan's active efforts in cooperating with China, including in anti-terrorism. He said he believed that the China-Pakistan cooperation in law enforcement and security would continue to develop with the joint efforts from both sides.

Kayani echoed Meng saying the Pakistani government and its armed forces attached much importance to the strategic cooperation with China, and the government would further enhance it.

During a meeting with Guo Boxiong, the senior officer of the People's Liberation Army of China stressed the importance of strategic communication between China and Pakistan. Guo said the all-weather friendship between the two countries has endured major international challenges. Facing the changing international and regional security situation, the two sides should strengthen strategic communication, deepen substantial cooperation and make positive contributions to regional peace and prosperity.

Kayani said Pakistan valued and was proud of its traditional friendship with China.

- China to closely watch situation in Kyrgyzstan (17th June)

(Xinhua) -- China on Thursday said it would closely follow the situation in Kyrgyzstan and continue to offer consular protection.

"We will keep a close watch of how the situation in Kyrgyzstan develops and continue to offer consular protection," Foreign Ministry spokesman Qin Gang told the regular briefing on Thursday.

Qin said with the help of nine chartered flights, China has evacuated about 1,300 nationals from Kyrgyzstan where ethnic clashes have left at least 187 people dead.

- Highlights of Chinese vice president's visit in Laos (17th June)

(Xinhua) -- Chinese Vice President Xi Jinping Thursday wrapped up his official visit to Laos and arrived in the New Zealand city of Auckland for a three-day official visit.

The following are highlights of Xi's activities Wednesday in Laos.

VIENTIANE -- Xi held talks here with his Lao counterpart Bounngang Vorachit and the two reached comprehensive consensus on further deepening the comprehensive strategic cooperative partnership between the two countries.

The two sides signed a total of 18 cooperation pacts on a wide range of fields, including trade, infrastructure construction, finance and power generation and grid renovation.

VIENTIANE -- In talks with Lao Prime Minister Bouasone Bouphavanh Xi said the prospects of economic cooperation between China and Laos are promising and both countries should take more concrete measures to further boost their economic ties.

He said the Chinese side is willing to expand the scope and scale of bilateral trade and economic cooperation based on the principle of seeking mutual benefit and common development.

VIENTIANE -- Xi met with Choummaly Saygnasone, general secretary of the Lao People's Revolutionary Party Central Committee and president of the Lao People's Democratic Republic here on Wednesday.

During the meeting, Xi said China is pleased to see the great social and economic development achieved by Laos in the innovation and open-up cause in the past nearly two decades. China will continue to support Laos in promoting economic development and safeguarding national stability.

VIENTIANE -- Xi met with a group of Lao people who have been old friends with China here, telling them China would work to further consolidate traditional friendship with Laos.

- China flies 1,299 nationals home from Kyrgyzstan (17th June)

(Xinhua) -- China has evacuated 1,299 nationals from Kyrgyzstan where ethnic clashes have left at least 187 people dead, the Foreign Ministry said Thursday.

The last chartered flight of China Southern Airlines, with 148 Chinese nationals aboard, landed at an airport in Urumqi, capital of northwest China's Xinjiang Uygur Autonomous Region, at 1:30 a.m. (Beijing time) Thursday from Osh in southern Kyrgyzstan.

The return of the ninth chartered flight means the end of the three-day massive evacuation, which started on Tuesday.

"After three days of efforts, the vast majority of Chinese nationals in Osh have been flown home," said Sun Dali, deputy director of the Department of Consular Affairs with the Foreign Ministry.

"But we will continue to pay attention to and contact the Chinese nationals who are still staying in Kyrgyzstan, and offer immediate assistance to them in light of the changes of the local situation," he added.

- China seeks mutual support, co-op with Islamic world (18th June)

(Xinhua) -- Chinese Foreign Minister Yang Jiechi met here Friday with Secretary-General of the Organization of the Islamic Conference (OIC) Ekmeleddin Ihsanoglu, pledging to enhance cooperation with the OIC.

Yang said the OIC is playing a more and more important role in international and regional affairs, and China is willing to further enhance exchanges and cooperation with the organization.

"China and the Islamic world shared a long-term friendship," Yang said. China hoped that the two sides would continue to support one another on issues concerning each other's core interests.

Yang also expressed hope that the two sides would strengthen coordination and cooperation on major international and regional affairs and continue to promote the nongovernmental contact.

Ihsanoglu hailed the traditional friendship and the broad prospects for cooperation between the two sides. He said the OIC attaches great importance to relations with China, and is ready to promote the development of friendly cooperation between China and the Islamic nations.

The OIC was established in 1970. The number of member states has grown from the founding 30 to 57, 27 of which are in Africa.

- Chinese VP hails ties with New Zealand (18th June)

(Xinhua) -- Visiting Chinese Vice President Xi Jinping spoke highly Friday of relations between China and New Zealand, proposing more measures to advance the bilateral relationship.

In talks with New Zealand Prime Minister John Key in Auckland, Xi said the relationship was at a historical high.

He said there were frequent exchanges of high-level visits and there had been remarkable achievements in bilateral trade and economic cooperation thanks to the implementation of a Free Trade Agreement (FTA).

In October 2008, China and New Zealand signed the FTA, the first of its kind between China and a developed country.

The FTA has boosted trade between the two countries, with volumes increasing 3.6 percent in 2009 despite the worldwide economic and trade downturn.

Xi stressed China had always taken a strategic and long-term approach towards its ties with New Zealand and regarded New Zealand as a good friend and partner in the Asia-Pacific region.

The Chinese vice president put forward a four-point proposal on further boosting the bilateral relationship, including more political, economic and cultural exchanges and more coordination on major international issues.

Xi urged both sides to tap the potential for economic cooperation while making full use of the FTA and to make trade and investment more balanced, smooth and comprehensive.

John Key said he was satisfied with the development of the New Zealand-China relations. On the basis of successfully implementing the FTA, New Zealand was willing to expand and explore more cooperation in fields such as agriculture, science and technology, education, tourism and food security.

On the same day, Xi called for more cooperation between China and New Zealand to elevate bilateral relations.

Speaking at the opening ceremony of the China-New Zealand Free Trade Agreement Seminar in Auckland, Xi, who arrived in the country Thursday morning for a three-day official visit, told local business leaders the further strengthening of exchanges and cooperation in various fields would be conducive not only to the well-being of the two peoples, but also to economic growth in the Asia-Pacific region and the larger world.

Xi put forward a four-point proposal to promote comprehensive cooperation in trade and investment to a new level.

The first was to focus on important sectors and explore cooperative potentials. He said New Zealand was rich in resources and advanced in science and technology while China had large markets and inexpensive laborers with good quality. So the two countries could put improving the quality of economic and trade cooperation as their future focus.

The second was to expand cooperative sectors and enrich its contents. Xi said both countries could make full use of the FTA to expand trade in all fields, particularly in new energy, environmental, biological technology and high and new technologies.

The third was to deepen regional cooperation and push forward multi-lateral development. Xi said both China and New Zealand could play a bigger role in pushing forward Asia-Pacific regional economic development.

The fourth was to enlarge the sphere of exchanges and seek a harmonious development. Xi said China was the top source of foreign students and the fastest growing source of foreign tourists in New Zealand. He hoped the two countries could further expand the exchange and cooperation in education, science and technology, culture and tourism.

During the stay in Auckland, Xi also held talks with New Zealand Governor-General Anand Satyanand on Thursday.

Xi said, with the implementation of the FTA, bilateral trade has increased rapidly. China has now become New Zealand's second largest trade partner and third largest export market.

The Chinese vice president also stressed the Chinese government attached great importance to China-New Zealand relations and regarded Wellington as a good friend and partner in China's mutually beneficial cooperation with the countries in the Asia-Pacific region.

Satyanand, after giving Xi a Maori tribal welcoming ceremony in front of Government House, said Xi could take the visit as an opportunity to meet with people from various fields and discuss ways to expand bilateral cooperation together.

"This will certainly help push the bilateral relations to a new level," he said.

After a stop in Auckland, Xi flew into Wellington, capital of New Zealand, where on Friday he met Lockwood Smith, speaker of the House of Representatives.

During the meeting, Xi said the communication between legislatures of the two countries was a vital part of the bilateral relationship at large, calling for more exchanges between lawmakers from both sides.

On the same day, Xi also met New Zealand Deputy Prime Minister Bill English, and opposition party chief Phil Goff.

New Zealand is the third leg of Xi's four-nation tour. He will next visit Australia before heading back to China.

- Backgrounder: Major events in Sino-Australian relations (18th June)
(Xinhua) -- Chinese Vice President Xi Jinping is scheduled to arrive in Melbourne Saturday for his visit to the Commonwealth of Australia.

Since China and Australia forged diplomatic ties on Dec. 12, 1972, their bilateral relations have developed steadily with frequent high-level exchanges and cooperation in various fields. The following is a chronology of major events in Sino-Australian relations since 1985:

In April 1985, Hu Yaobang, secretary general of the Central Committee of the Communist Party of China (CPC), paid a visit to Australia.

In May 1986, Australian Prime Minister Robert Hawke visited China.

In November 1988, Chinese Premier Li Peng visited Australia and held talks with Australian Governor-General Ninian Stephen and Prime Minister Hawke.

In June 1993, Australian Prime Minister Paul Keating visited China and held talks with senior Chinese officials.

In April 1994, Australian Governor-General William Hayden visited China.

In March 1997, Australian Prime Minister John Howard visited China and held talks with Chinese officials on promoting bilateral cooperation.

In December 1997, Li Ruihuan, chairman of the National Committee of the Chinese People's Political Consultative Conference, visited Australia and attended the commemoration for the 25th anniversary of diplomatic ties between the two countries.

In September 1999, Chinese President Jiang Zemin visited Australia, the first visit to Australia by a Chinese head of state. The two countries vowed to expand cooperation and make joint efforts for a long-term, stable and all-around cooperation geared to the 21st century.

In October 2003, Chinese President Hu Jintao paid a state visit to Australia. The two countries pledged to promote all-around cooperation and signed several cooperation documents.

In May 2005, Wu Bangguo, chairman of the Standing Committee of China's National People's Congress, visited Australia.

In October 2005, Australian Governor-General Michael Jeffery visited China and held talks with Chinese officials. Both countries vowed to further bilateral relations.

In April 2006, Chinese Premier Wen Jiabao paid an official visit to Australia. The two countries reached consensus on building a relationship of all-round cooperation for mutual benefit and win-win outcomes in the 21st century.

In September 2007, President Hu again paid a state visit to Australia. The two countries agreed to strengthen dialogue and push forward the all-round development of bilateral ties.

In April 2008, Australian Prime Minister Kevin Rudd paid his first official visit to China. Both countries pledged to bolster bilateral relations and further cooperation in various fields.

- China, Austria to further co-op, play more active roles in facing world economic crisis (18th June)

(Xinhua) -- China is willing to further cooperation with Austria and the two countries should play more active roles in dealing with the international financial crisis, said Chinese Vice Premier Zhang Dejiang here Thursday.

The bilateral cooperation has been strengthened and developed, mainly reflected in the political mutual trust, close economic cooperation, cultural exchanges, and close coordination on international and regional affairs, said Zhang, who is in Austria on a visit, while meeting with Austrian President Heinz Fischer.

Next year will mark the 40th anniversary of the establishment of diplomatic ties between the two countries. China would like to take this opportunity to strengthen communication and cooperation between the two countries on the basis of the principles of mutual respect, equality, mutual benefit and respect for China's core interests, so that the bilateral relations can be brought to a new high, he added.

He also pointed that the world economy is gradually recovering but the international community needs to work together to overcome hardships. China and Austria should further enhance cooperation and promote bilateral trade development.

Fischer said frequent high-level visits between the two countries since last year have reflected the good development momentum of bilateral relations.

Currently, Austria is actively preparing for the 40th anniversary of the establishment of diplomatic relations. Austria is willing to further strengthen cooperation with China in the fields of new energy, environmental protection, ecology and other fields, Fischer said.

Zhang arrived in Austria on Thursday for a five-day visit.

- China's Vice President cancels event (19th June)

China's Vice President cancelled a visit to Victoria University in Wellington today amidst security fears following yesterday's altercation at parliament.

Green Party leader Russel Norman was yesterday roughed up by Chinese security guards after he waved a Tibet flag as Xi Jinping arrived at parliament.

Jinping was supposed to launch a new institute to help Chinese students at Victoria University however, late last night the decision was made to move those celebrations to his hotel in the city as the university said it did not have the appropriate security for such a high level politician.

Chinese expert Anne-Marie Brady says the Chinese security have succeeded in creating an international incident out of a one man protest.

"It certainly was particularly inappropriate that it was a New Zealand senior politician and on New Zealand Parliamentary grounds," she says.

Norman complained to police but initial inquiries have found there is not enough evidence to substantiate the assault allegation.

"The challenge now is on us to make sure that the next time a Chinese government delegation or any other delegation comes here that it's actually the New Zealand police that are in charge rather than the security personnel of the visiting government," says Norman.

A formal complaint has already been laid with the speaker of the house.

"Its quite disturbing that the national government has taken such a weak response to this incident and I think its very symptomatic of how dependent New Zealand now is on trade with China," says Brady.

The Speaker of the House, Lockwood Smith says he will be reviewing the incident and will be talking to all those involved.

He says he was not personally involved in the security arrangements but perhaps next time he will be.

Visit still hailed as a success

Despite the altercation the government is still hailing the visit as an economic success as it is believed to have strengthened trade ties.

Prime Minister John Key and Labour leader Phil Goff say it is significant that such a large and powerful delegation had spent time here under the leadership of Xi.

"He is a very big player in China and potentially is the person that will replace President Hu Jintao when he steps down in 2012," Key says.

He says the free-trade deal between the countries, signed off by the previous Labour government, has worked "tremendously well" for both sides and was a blueprint for China.

Key says talks were quite wide-ranging, but mostly based on economics.

"There was mention of human rights. They also talked about the one-China policy in Tibet and Taiwan but broadly this was an economic meeting and you could see that by the fact that he took 100 business leaders with him."

Prime Minister John Key is still set to visit China in early July.

Goff, who met with Xi after the clash with Norman, says New Zealanders have a right to peaceful protest and freedom of speech and the incident "shouldn't have happened".

Green Party MP Sue Kedgley says it was not only an appalling way to treat a protesting MP, but counter-productive from the delegation's point of view.

"All it has done is highlight a solitary protestor holding a Tibetan flag. They drew attention to it and made an international incident out of it themselves."

Goff says aside from the distraction, the two countries have developed a strong trade relationship which have grown to the extent where China is now New Zealand's second

largest trade partner. He says he also discussed with Xi stability in the Asia-Pacific region and the importance of it being conflict-free.

Also yesterday, ANZ bank in New Zealand signed a cooperation agreement with the China Development Bank (CDB) which will see them working together on projects that assist trade and investment flows between the two countries.

<http://tvnz.co.nz/politics-news/china-s-vice-president-cancels-event-3598395>

- China counters US (19th June)

THE US government and media has been incessantly targeting Pakistan's nuclear programme and the latest salvo fired from the US Administration was against the civil nuclear agreement between Pakistan and China for two power reactors which will be subject as usual to IAEA safeguards. Given the US nuclear deal with India which led to all manner of concessions being given to India in terms of a special safeguard agreement with the IAEA and a country-specific exception to Nuclear Suppliers' Group's (NSG) rules being given to India, it is absurd for the US to target the present Pakistan-China civil nuclear agreement. Pakistan is not even demanding a similar special safeguards agreement with the IAEA - which it should do - on the model of the IAEA-India safeguards agreement which contains all manner of loopholes to allow India an easy exit from these safeguards whenever it chooses. Nevertheless the US has typically decided to target the new Pakistan-China nuclear agreement as part of its unrelenting campaign against nuclear Pakistan and has declared that this agreement requires the approval of the NSG. That is why the strong reaction by China in defence of the agreement is to be welcomed. As the Chinese Foreign Office Spokesperson categorically declared, the agreement was in line with China's international obligations, was totally for peaceful purposes and was subject to IAEA "safeguards and supervisions". China's strong defence shows once again that China remains our foremost steadfast ally - in sharp contrast to the US which continues to undermine Pakistan on all fronts.

<http://www.nation.com.pk/pakistan-news-newspaper-daily-english-online/Opinions/Editorials/19-Jun-2010/China-counters-US>

- Chinese vice president begins Australian tour (19th June)

(Xinhua) -- Chinese Vice President Xi Jinping arrived at Melbourne on Saturday afternoon, starting his official visit to Australia.

Xi made the visit as a guest of Australian Prime Minister Kevin Rudd.

In a written speech at the airport upon his arrival, Xi extended his "heart-felt greetings" and "good wishes" to the Australian government and people.

Xi said China and Australia are two important nations in Asia-Pacific region, speaking highly of the development of the relations between the two countries in recent years.

Xi noted that fruitful achievements have been scored in bilateral cooperation in economy, science and technology, cultural exchange and judicial communication, adding that both sides have kept close coordination on major international and regional issues.

"Further deepening the China-Australian comprehensive cooperative relationship is in the basic interest of both countries and both peoples, it also benefit the peace and development of the Asia-Pacific region and the world at large," he said.

The vice president said the Chinese government and people attach great importance to the China-Australia relations.

During his stay in Australia, Xi is expected to hold talks with Kevin Rudd and other Australian leaders.

"I'm looking forward to meeting Australian leaders and friends and exchanging views on boosting bilateral relations and other issues of common concern," he said.

"I believe, my visit will further consolidate mutual trust, deepen the friendship between the two nations and expand substantial cooperation on a wide range of fields, so as to push the China-Australia comprehensive cooperative relationship to a higher level," he added.

Xi and his delegation was received at the airport by Australian Trade Minister Simon Crean and Chinese ambassador Zhang Junsai.

Australia is the last leg of Xi's four-nation visits.

- Mongolian president speaks highly of relations with China (19th June)

(Xinhua)-- Mongolian President Tsakhia Elbegdorj said here Friday that the good-neighborly partnership of mutual trust between his country and China is developing across all areas.

Mutual trust and understanding between the two sides have been enhanced,said Elbegdorj during talks with a delegation headed by Hu Chunhua, Communist Party of China chief of the Inner Mongolia Autonomous Region.

The Mongolian leader said Chinese Premier Wen Jiabao's official visit to Mongolia earlier this month made an important contribution to the resolution of concrete questions concerning the Mongolia-China cooperation, especially in the economic and trade area.

Hu said the Inner Mongolia Autonomous Region, home to much of the China-Mongolia border, would extensively participate in China-Mongolia cooperation, and attaches great importance to the construction of border crossings and other infrastructure.

Shortly after their arrival in Ulan Bator, Hu and his delegation met with Mongolian Parliament Speaker Damdin Demberel on Thursday.

- Senior CPC official makes proposal for enhancing trade ties with Turkmenistan (19th June)

(Xinhua) -- He Guoqiang, a senior official of the Communist Party of China (CPC), on Saturday pledged efforts to boost Sino-Turkmen economic and trade cooperation.

Speaking at a Sino-Turkmen trade and investment forum, He, member of the Standing Committee of the Political Bureau of the CPC Central Committee and secretary of the CPC's Central Commission for Discipline Inspection, put forward a four-point proposal: First, to strengthen the good momentum of cooperation. Chinese and Turkmen leaders have viewed the bilateral relations from a strategic height and supported each other on issues of their grave concern, thus creating good political conditions for furthering bilateral economic and trade cooperation, He said.

Under the new circumstances, China is ready to work with Turkmenistan to cement the political foundation to upgrade bilateral economic and trade cooperation, he added.

Second, to expand the spheres of economic and trade cooperation. China and Turkmenistan should bring their economic advantages into good play to boost their long-term, stable and mutually beneficial energy cooperation, while expanding cooperation in the non-resources sector, He said.

He stressed the importance to boost cooperation in such key areas as transportation, telecommunications and infrastructure construction and cultivate new growth points in investment and trade.

Third, to strengthen policy guidance. The trade departments of the two countries should use their intergovernmental cooperation mechanisms to provide macro-guidance and coordination to facilitate trade and investment.

China stands ready to work with Turkmenistan to improve bilateral cooperation mechanisms and innovate cooperation models to create a better environment for bilateral economic and trade cooperation, He said.

Fourth, to promote pragmatic cooperation between enterprises. China will continue to encourage its enterprises to invest in Turkmenistan, and also welcomes Turkmen entrepreneurs to do business in China.

It is the common wish of the two peoples to deepen economic and trade cooperation, He said, hoping that the business circles of the two countries would bring into play their advantages in technology, funds, talents, and industry to advance bilateral cooperative projects and make greater contributions to Sino-Turkmen trade cooperation.

More than 200 entrepreneurs and trade officials from both countries attended the forum.

Turkmenistan is the last leg of He's five-nation tour which has taken him to Italy, Iceland, Norway and Lithuania.

Economic front

- CNPC, Kazakh gas company to tap Caspian reserves (13th June)

(Xinhua) -- The China National Petroleum Corporation (CNPC) announced Sunday it has signed an agreement with the Kazakh gas company KazMunayGas to jointly build the second phase of a gas pipeline in a bid to tap gas reserves in southern Kazakhstan.

The agreement concerns design, financing, construction, and operation of the second-phase of the pipeline, a statement on CNPC's website said Sunday.

The statement gave no details on the cost of the project or a construction timetable.

The 2nd-phase Kazakhstan-China Gas Pipeline would be built to meet the gas demand in southern Kazakhstan, the statement said, adding the two countries would also discuss the possibility of exporting Caspian gas to China through the pipeline.

In August 2007, China and Kazakhstan signed an inter-government agreement on the construction of the Kazakhstan-China Gas Pipeline. Line A of the 1,300-km phase-1 project opened in December 2009.

The phase-2 project's pipeline will have a total length of 1,400 km, the statement said.

Total annual capacity of the 2nd-phase pipeline is expected to reach 10 billion cubic meters.

- China's Cabinet warns over bank debt (14th June)

(Xinhuanet) -- China's State Council, the Cabinet, ordered local governments on Sunday to better manage investment agencies amid concern that their borrowings, estimated at hundreds of billions of yuan, could cause problems for Chinese banks.

It also directed banks to control lending to these agencies by targeting loans at specific projects and monitoring how the credit is used.

Chinese banks have escaped the mortgage-related turmoil that hit Western financial institutions and triggered the global economic downturn, but analysts warn that a lending boom driven by government stimulus spending could leave lenders with a mountain of bad loans.

In May, the State Council ordered a review of the investment agencies after the World Bank and China's central bank warned about debt levels and said banks could face losses if the agencies cannot repay their debts. Such agencies invested heavily in real estate and infrastructure as part of the stimulus spending.

"There are some problems that have occurred that require a high degree of attention," said a statement posted on the State Council's Website yesterday.

"Mainly, the size of debt-financing of the financing platform companies has swelled rapidly, while their operations are not standardized."

Finance platform companies refer to the investment agencies.

According to earlier reports, local investment agencies owed 6 trillion yuan (US\$880 billion) to state banks.

An American researcher, Victor Shih of Northwestern University, estimates total local government borrowing in 2004-09 at 12 trillion yuan, The Associated Press reported.

The State Council statement said some banks and financial organs had poor risk awareness while investment agencies lacked adequate credit management.

Local governments, it said, had also broken rules.

They are not allowed to use state-owned assets or government revenue to offer guarantees, directly or indirectly, for the investment agencies.

(Source: Shanghaidaily.com)

- Exports unlikely to affect forex policy (14th June)

(Xinhuanet) -- Faster-than-expected export growth in May is unlikely to prompt the government to have a major rethink of its current policies on trade and the currency.

Yao Jian, spokesman for the Ministry of Commerce, said the "stability" of China's trading policy is "paramount", given the murky economic situation in Europe, which is China's biggest trade partner.

He said robust exports in May were mainly a result of orders booked before the deepening of Europe's debt crisis.

"In the next few months, the negative impact of Europe's debt crisis on Chinese exports may gradually show up," Yao said on Saturday.

China's exports surged by nearly 50 percent in May year-on-year, exceeding most analysts' forecasts and producing a monthly trade surplus of \$19.5 billion. Exports to the European Union were up 34.4 percent in the month from a year earlier, while exports to the United States rose 24.8 percent.

The exceptional performance of the trade sector has reignited foreign pressure on China to kickstart its foreign exchange regime reform, which some predict will take place in the wake of the G20 meeting in Canada next week. The yuan has remained largely unchanged since July 2008 against the dollar, after it rose by 20 percent from 2005, to help enterprises weather the global financial crisis.

US Treasury Secretary Timothy Geithner said on Thursday that the "distortions" in China's currency policy are spreading far beyond its borders, adding that currency reform was critically important for the United States and the global economy.

US Senator Charles Schumer, a Democrat, said on Wednesday that lawmakers intend to move forward in the next two weeks with a bill that would punish Beijing for currency policies that critics say destroy Americans' livelihoods.

China experts, however, said Beijing is unlikely to greatly alter its exchange rate policy based on the spectacular export growth last month.

"I don't think the export figure alone will force the Chinese government to accelerate the appreciation of the yuan," said Lian Ping, chief economist of Bank of Communications. He said high export growth cannot continue in months ahead as the impact of the European crisis on the Chinese economy is set to magnify.

Yao reiterated that a rising yuan cannot solve the trade imbalance between China and the United States.

He also said that the recent wave of wage rise demands in South China is not likely to affect the country's foreign direct investment (FDI) inflows.

According to figures from the commerce ministry released on Saturday, actually utilized FDI rose 27.48 percent to \$8.13 billion in May, the 10th consecutive monthly rise.

Many experts have expressed concerns that wage rises will force overseas-invested firms to move to neighboring countries such as India and Vietnam, where wage bills are lower.

"The cost of labor is no longer what foreign firms care most," Yao said.

He said China's increasing domestic demand, industrial capacity and highly skilled workers will continue to attract foreign investment.

(Source: China Daily)

- China taps railway for importing liquefied gas from central Asia (14th June) (Xinhua) -- China is diversifying its methods of importing energy from neighbor countries in central Asia as a train carrying 45 tonnes of liquefied petroleum gas (LPG) from Kazakhstan reached the country's inland port of Alataw Pass on Monday in the northwest Xinjiang region.

It also marked the first time China imported energy from central Asia using railroads, rather than pipelines, since the founding of new China back in 1949.

"Central Asia is rich in oil and gas. China's state-owned oil giant CNPC has made large investments in recent years to purchase and explore resources in the region," said Gao Hongbo, general manager of a privately-run logistics and financial services company based in Xinjiang Uygur Autonomous Region.

"Oil and gas could be transported through pipelines but the liquefied gas, obtained as a by-product from the refining of petroleum, could not be effectively transported due to the product's nature, causing huge waste," Gao said.

Gao said the only option is to import the liquefied gas using railways, given current circumstances.

But China's railways use the standard gauge (distance between rails at 1,435 mm), which is different from its Central-Asian neighbors' broad rail gauge (distance above 1,435 mm), and special lines need first to be built for the mass importing of LPG.

Gao said his company has so far spent 300 million yuan (44 million U.S. dollars) in building nine broad-gauge rails and six standard gauge rails in Alataw Pass. These lines are expected to import 50,000 tonnes of LPG this year.

The company plans a total of 21 lines to be built, and the annual capacity of these lines is expected to reach 200,000 tonnes of LPG during the next three years.

These lines, when completed, will also be used to import 500,000 tonnes of oil each year and 2.5 million tonnes of commodities and mineral resources from central Asia.

- China-Russia oil pipeline scheduled for running on Oct. 31 (14th June)

(Xinhua) -- China National Petroleum Corporation (CNPC), China's largest oil and gas producer, announced Monday a Sino-Russian crude oil pipeline was scheduled to be completed and begin operation by Oct. 31 this year.

Construction of the 999-km pipeline project, with 72 kilometers within Russia and 927 kilometers in China, began last year.

CNPC said welding of the pipeline section in China, or the 927-km Mohe-Daqing trunk, has completed, and the Russian section was also about to be finished soon.

The pipeline starts from east Russia's Skovorodino town in its far-eastern Amur region to end at China's northeastern city of Daqing.

The pipeline project is part of a bilateral loan-for-oil deal reached in February 2009 between the two countries, under which China offers Russia 25 billion U.S. dollars of long-term loan and Russia will supply a total of 300 million tons of oil through pipelines to China from 2011 to 2030.

- China slams U.S. pressure on RMB exchange rate (14th June)

(Xinhua) -- China on Monday urged the United States political figures to stop blaming others for U.S. economic problems and to solve the problems themselves, as pressure on the Renminbi exchange rate mechanism builds.

"It's unreasonable to politicize the RMB exchange rate issue or engage in trade protectionism against China under the guise of the exchange rate issue. Doing so will only harm both sides," Foreign Ministry spokesman Qin Gang commented in response to some U.S. politicians' remarks on the Renminbi exchange rate issue.

U.S. Treasury Secretary Timothy Geithner said at a congressional hearing last Thursday China's refusal to revalue its currency impedes global economic reforms -- even as he highlighted the importance of U.S.-China trade and hailed the recent growth of Chinese imports of U.S. products.

Some U.S. congressmen have said they will soon push for a trade sanctions bill targeting countries "whose currency exchange rate is not equal to fair value."

"We agree with the remarks China-US trade is very important. The trade is mutually beneficial and win-win in nature," Qin said.

China does not intend to pursue trade surpluses and is actively increasing its imports from the United States to push for sound and balanced trade ties, he said.

In the first quarter of this year, U.S. exports to China surged by 50 percent year on year but less than 20 percent to other regions, according to Geithner.

"A lot of facts prove the RMB exchange rate is not the major cause of imbalanced China-U.S. trade," Qin said.

There has been no remarkable change in the U.S. trade deficit with China even as the yuan has appreciated 21 percent against the U.S. dollar since China began reforming the RMB exchange rate formation mechanism in July 2005.

Qin attributed the trade imbalance to the international division of labor, economic globalization, and U.S. restrictions on high-tech exports to China.

"The appreciation of the RMB will not solve the trade imbalance or U.S.'s problems like its low savings-rate, high rate of debt-based consumption, and high unemployment rate," Qin said.

The Chinese government will constantly improve the formation mechanism of the RMB exchange rate to maintain basic stability at a reasonable and balanced level.

The principles for improving the formation mechanism include: independent decision-making, controllability and graduality.

The Chinese government also insists on a managed-float exchange rate system that takes market supply and demand its basis, Qin said.

"As to the question of when and how, we will make decisions according to China's and the world's economic situation," he said.

- African countries should learn from China's experience in development (14th June) (Xinhua) -- Secretary for the Youth League of SWAPO (South West Africa Peoples Organization), Namibia's ruling party, T. Elijah Ngurare, has spoken highly of China's rapid economic growth and remarkable achievements in national construction in the past decades, saying African countries should learn from China's valuable experience.

In a recent interview with Xinhua, Ngurare said Namibia and other African countries should not only get assistance from China, but also consider the reasons behind China's successful economic development and learn from these valuable experience and implement the self-development policy.

While commenting on China's economic and rural development fruition, Ngurare, representative of Namibian young elite, illustrated that skyscrapers could be seen everywhere in Beijing and other big cities and the road networks are convenient for tourists to travel all around the country.

"I was very impressed and I found the Chinese people are extremely hardworking, especially young people. The spirit of hard working prevails in China and then I got to know why China becomes so developed within only a few decades," Ngurare said.

Ngurare also praised the success of China's education for the young generation, saying that the young people in China share the commitment to the state universally and China could mobilize them to devote themselves into Shanghai Expo and Beijing Olympics as volunteers.

"China is totally successful in inspiring their young generations to contribute to the country's construction, and in school education young students could be equipped with the consciousness of patriotism so that they become determined to the country, enthusiastic in nation building, and bringing to the scientific and academic advancement of the whole nation." Ngurare explained specifically.

On the assistance African countries have been receiving from China, Ngurare expressed his gratitude to China on behalf of SPYL (SWAPO Party Youth League), adding that African countries, including Namibia, should learn from the developmental experience of China and the spirits of diligence and endeavor of exploration of the Chinese people.

Ngurare said it is based on these spirits that China can yield such tangible fruits on national construction.

"In the past, the situation of China and Africa was similar, both in poor infrastructure and lack of advanced science and technology."

With 1.3 billion people and relatively limited plowland, China could feed its people independently, creating a miracle in the world, he said.

"It provides us Africans with expertise from which we could benefit profoundly," Ngurare said.

While rich in fertilized land, water and other natural resources, African countries should have gained better development and achieve more. However, he said that "The situation is not so optimistic and satisfied that we should think about it, not wasting time on war and hunger vainly."

The secretary mentioned that Sino-Namibian youth cooperation and exchange programs have enjoyed a long history and China has provided governmental scholarship for the country leading to many precious young talents who have contribute to the country's economic and social development.

"We cherish the friendly relations with China, and our cooperation is truly the win-win cooperation between equal partners," he emphasized.

Ngurare reiterated the country's determination to maintain good relations with China and proposed that the Chinese side step up cooperation projects on youth between the two sides.

- China's banking regulator warns on loans to local gov'ts, real estate sector (15th June)

(Xinhua) -- China's banking regulator warned Tuesday the nation's banking system faces major risks, the prominent being loans made to local governments and the real estate sector turning bad.

The China Banking Regulatory Commission (CBRC) urged banks to use scientific analysis in their lending in its 2009 annual report, published Tuesday on its website.

The report said some banks were lending large amounts to local government units with inadequate risk management, and that lending to local governmental vehicles entails significant potential risk.

The average non-performing loan (NPL) ratio at the country's commercial banks fell to 1.58 percent at the end of 2009, declining 0.84 percentage points from the level at the beginning of the year, according to the report.

Despite the NPL ratio remaining low, CBRC Chairman Liu Mingkang, said in the report some credit assets could turn into losses this year.

"Domestically, the soundness of the banking sector is being tested by increased pressure for an NPL rebound. There are risks associated with lending to local government financing platforms, the real estate sector and industries with excess capacity," Liu was quoted as saying in the report.

"Internationally, fundamental flaws underlined by the recent global financial crisis have not been resolved," Liu said.

Trade protectionism and disputes, sovereign debt crises and high unemployment rates pose possible new challenges to the world economy, he added.

In 2009, China's banking industry net profit hit 668.4 billion yuan (98 billion U.S. dollars) with a return on equity of 16.2 percent, the report said.

The banking industry's total assets totaled 78.8 trillion yuan at the end of 2009, up 26.2 percent compared to the start of the year, according to the report.

- NZ agriculture riding high on strong Chinese demand (15th June)

(Xinhua) -- Strong demand from China is expected to bolster New Zealand's agricultural sector over the coming years.

The annual stocktake of New Zealand's Ministry of Agriculture and Forestry predicts that a China-fuelled boom in commodity prices will continue, lifting export value in most primary industries next year except grains and seeds, and lamb and venison, Radio New Zealand reported on Tuesday.

The report showed exports of agricultural and forestry products to China last year jumped 49 percent to more than 2 billion NZ dollars (1.4 billion U.S. dollars), mainly in dairy and log exports.

However, the ministry's director-general, Murray Sherwin, cautioned that the dominance of those sectors and China's demand for their products should not preclude the development of other products and other markets.

The country will need to watch out that it does not become too reliant on one country, Sherwin said.

- Strikes in China signal end to era of low-cost labour and cheap exports (17th June)

China's rulers make statements supporting workers rights as series of high-profile strikes suggest economic turning point.

The Chinese Communist party called on employers to raise salaries and improve training for workers today, as Toyota became the latest foreign firm to be hit by [a wave of high-profile strikes](#).

The People's Daily, the mouthpiece of the ruling party, warned that the country's manufacturing model faced a turning point as demographic and social changes slowed the influx of low-cost labour from the countryside.

Coming a day after the premier, Wen Jiabao, made similar comments, the editorial suggests the authorities may be encouraging businesses to restructure the economy by putting less emphasis on cheap exports and more on higher-value goods and domestic consumption.

For most of the past 30 years, [China](#)'s economic growth has been fuelled by low-cost migrant labour. This has helped raise national competitiveness, attract foreign investors and keep consumer prices lower across the world. But members of a new generation of migrants are less willing to endure hardship and many have successfully gone on strike to demand better conditions.

Without mentioning strikes, the People's Daily said China should adjust to a tighter labour market by improving skills, creating more service-sector jobs and giving workers more cash to spend. This echoed a speech a day earlier by Wen, who said a new generation of migrant workers should be given improved conditions .

"Your work is glorious and should be respected by society at large. Migrant workers should be cared for, protected and respected," he told workers at the construction site for the No 6 subway in the capital. "The government and the public should be treating young migrant workers like their own children."

According to labour activists, there have been numerous strikes in recent years, though few get reported in the media. Chang Kai, professor of labour relations and law at Renmin University, said the number had increased by 30% per year.

Their impact has grown as the "one-child" family planning policy starts to thin the bulge in the working-age population. This demographic change in the balance of labour supply and demand has added to improved worker organisation and greater activism at high-profile foreign firms.

Japanese firms have disproportionately been the focus of the reported strikes. The Toyota Gosei car parts plant, in Tianjin, was shut down by a strike this week until the management promised to negotiate higher wages.

Three Honda plants in Guangdong have been affected, along with a Hyundai factory in Beijing and a Taiwanese rubber products manufacturer in Shanghai. According to Xinhua news agency, the fast food franchise KFC has conceded to a union demand for minimum monthly pay of 900 yuan (£90), up by 200 yuan.

In most cases, however, workers have organised outside the unions, which are seen as close to management and the party. This has sparked commentaries in local media urging unions to mediate more effectively between workers and employers.

Having seen how the Solidarity movement in Poland helped to overthrow a communist government that stopped representing its interests, China's leaders do not want to alienate the labour force. So far, there is no sign of any mass, nationwide protests. This week's statements of support for workers' rights suggest the politburo wants to keep on the right side of the activists.

<http://www.guardian.co.uk/world/2010/jun/17/china-strikes-economy>

- COLUMN - China hits a welcome turning point: James Saft (17th June) (Reuters) - China's massive supply of cheap labor may at last be drying up, a development that in time will bring higher wages, inflation, a stronger yuan and help to right dangerous global imbalances.

If these trends hasten financial liberalisation they could eventually set the stage for a broader Chinese bubble.

The formerly extremely unequal balance of power between workers and employers in China appears to be shifting. Workers for a Chinese company which supplies Honda with auto parts have struck and successfully won large wage increases. Other strikes have followed, and firms have often been quick to compromise.

Hon Hai's Foxconn, an electronics unit that supplies many leading western brands, moved to more than double many salaries as part of a series of reforms after a spate of suicides among workers at its highly regimented factories. Several regions have implemented or are debating increases to the minimum wage, a standard which didn't even exist in China as recently as 2004.

Much of China's economic development in the past 25 years has been built on the back, or backs if you like, of rural workers who were desperate to relocate to coastal manufacturing centers, wave upon wave of whom kept wages in check even as the economy boomed.

The one child policy and rapid development of the manufacturing base may finally be about to collide. A US Census Bureau analysis of Chinese data estimates that the number of 15-24 year olds joining the work force will fall by 29 percent over the next decade.

"China is likely experiencing a Lewis Turning Point, after which the disappearance of surplus labour will raise real wage inflation and trigger a rise in wages' share of income," Wengsheng Peng, an economist at Barclays Capital in Hong Kong wrote in a note to clients.

"China's vast size and the differing stages of development of its regional economies suggest that the turning point is likely to be a gradual process lasting many years, or a turning phase, rather than an abrupt shock."

Named for the Nobel Prize-winning Saint Lucian economist Arthur Lewis, a Lewis Turning Point describes the stage in the development of an emerging economy when labor shortages bring on inflation and slowing growth.

While slower growth brings on its own challenges, the emergence of a newly well paid class or workers helps to drive domestic consumption and the development of the service sector.

This is what the world has been waiting for from China.

SHANGHAI THE NEW YORK OF THE 21ST CENTURY?

To be sure, all of this is highly speculative and will only be known in retrospect. The new labor militancy may simply be the result of workers seeking to make up ground lost during the cyclical downturn of the past two years, when many took pay cuts or received scant raises.

There are some signs of emerging inflation in China, but the headline figure of 3.1 percent, though above government targets, is not yet the kind of stuff to remake the world. If, however, wage inflation is becoming structural then the arguments to allow the yuan to strengthen against the U.S. dollar will become stronger. Besides pacifying its trade partners, a stronger yuan would make imported goods cheaper, dampening a source of artificial inflation built into China's policy of pegging the yuan well below its likely value as a free floating currency.

This would be a godsend for the U.S. economy, which has been distorted towards consumption by rates kept low by Chinese policy and which needs desperately to earn its way out of its debt hole by rebuilding exports.

It will be a less attractive prospect for China, but the pill would be sugared if a stronger yuan came along with stronger domestic consumption.

Here is where we get to the bubble part, but maybe not for years. As China transitions to a more service-oriented economy it will want, desperately, to build up that most lucrative part of the service sector, financial services.

With currency and capital controls in place Shanghai will never be able to challenge New York or London as a financial center and the government will have to look on as a portion of even Chinese capital intermediation takes place off shore.

If, on the other hand, China allowed the yuan to float and capital to move freely, things might be very different. As outlined by Societe Generale strategist Dylan Grice last year, currency and capital deregulation could set the stage for a massive bubble.

Money will pour in to an appreciating yuan, and while Chinese growth may be less than it was in the past ten years, it is still likely to be very attractive relative to global norms.

A compelling story, a rising currency, and the world's biggest and newest middle class - prices could easily spiral. From a Chinese standpoint, from a U.S. standpoint and from a sum of human happiness standpoint, that might just be a bubble worth having.

(At the time of publication James Saft did not own any direct investments in securities mentioned in this article. He may be an owner indirectly as an investor in a fund.)

<http://in.reuters.com/article/economicNews/idINIndia-49384020100617>

- Nasdaq eyes China's SMEs (17th June)

(Xinhua) -- "China is the fastest growing economy in the world, which provides tremendous opportunities for small-and medium-sized enterprises. This is not possible in other countries," said Eric D. Landheer, head of Asia Pacific division of the NASDAQ OMX Group, recently.

"We would like to help SMEs reach resources and to incubate them, and then allow them to get financing in higher level capital market," said Meyer S. Frucher, vice president of the NASDAQ OMX Group, while addressing the fourth China international private equity forum held in Tianjin last week.

"NASDAQ is willing to be a consultative platform for SMEs that are innovative and forward-looking, and to play the intermediary role to introduce law firms, accounting firms and other industrial relations for them. After they become quality enterprises, they can be listed in NASDAQ," Landheer said.

When asked about the prospect of China's SMEs, Landheer felt very confident. "Growth! China will be more opening up in future and there are tremendous opportunities for SMEs to reach foreign capitals. For example, NASDAQ has 141 companies from the greater China, and some of them are very famous now, like BAIDU, CTRIP, SINA and SOHU. But they were small enterprises when they were just listed in NASDAQ."

- Pay hikes good for "long term" (17th June)

(Xinhuanet) -- Wage increases in a number of the country's labor-intensive industries will be good for employment in the long term, a senior official with the Ministry of Human Resources and Social Security has said.

"For low-level enterprises developing extensively, such as those that involve earning only a few cents from making shoes or toys, it doesn't matter if they move out of China because of wage hikes," Yu Faming, director of employment promotion department in the ministry, was quoted by the Beijing News on Wednesday.

Yu's comments followed speculation that global consumer product manufacturers may consider moving their factories to nearby countries such as Vietnam, India and Indonesia, where wages are comparatively lower, as China faces rising wages.

On June 6, Taiwan-based Foxconn Technology Group announced a second salary rise that would increase pay by up to 65 percent for workers at its factories in Shenzhen, Guangdong province.

Earlier, Japan automobile giant Honda offered a 24 percent pay hike to its auto parts workers in Foshan, Guangdong, to bring an unprecedented strike to an end.

Also, 14 provinces, municipalities and autonomous regions in China have raised their minimum wage levels this year, with the highest at more than 20 percent.

"Although wage rises may negatively impact the country's employment at the moment, it will promote a healthy development of the job sector in future," Yu said.

Yu also refuted allegations that the country was facing a labor shortage, amid a large number of enterprises reportedly facing pressure from labor recruitment earlier this year in the Yangtze River and Pearl River deltas.

"At most, only some enterprises in some areas have to deal with the difficulty of recruiting employees, which is caused by going for the cheapest labor cost," he said.

"Farmers who can find jobs with better pay near their hometowns will not be willing to go far," he said.

Pan Chenguang, a human resources expert at the Chinese Academy of Social Sciences, said companies should raise wages when they experience good business development.

"To set up a stable and high quality workforce, companies should offer competitive wages to attract more talent and maintain workers' enthusiasm," he said.

Yu also urged colleges to be responsible for cultivating graduates who suit market needs.

China is forecast to have 6.5 million college graduates next year.

On average, 6.7 to 6.8 million of college students will graduate each year from 2011 to 2015, he said.

"One reason for students who are finding it difficult to find jobs after graduating is their majors, which are not needed in the current market," he said.

"For future course offerings, colleges should take full consideration of the job market's actual needs."

(Source: China Daily)

- China's farm produce, producer goods prices fall (17th June)

(Xinhua) -- Prices of farm produce and producer goods in China's 36 large and medium-sized cities have dropped six weeks in a row, the Ministry of Commerce said Thursday, indicating easing inflationary pressure this month.

In the week ended June 13, farm produce prices dropped 0.4 percent in those cities from a week earlier while producer goods prices slide 0.9 percent, said a statement posted on the ministry's website.

Vegetable prices continued to fall last week with the wholesale prices of 18 kinds of vegetables tumbling 5 percent from a week earlier, the statement said.

Food prices account for about one third of the weighting in China's consumer price index (CPI), a major gauge of inflation, and the falling farm produce prices will ease some inflationary pressure for the government.

China's CPI accelerated to a 19-month high at 3.1 percent year on year in May, exceeding the 3-percent government target for the year.

The falling producer goods prices indicates that the producer price index (PPI), a major measure of inflation at the wholesale level, may drop in the months to come.

China's PPI rose 7.1 percent year on year in May, up 0.3 percentage points from April's 6.8 percent.

The National Development and Reform Commission (NDRC), China's central economic planner, projected last week that the CPI in June would drop from May but still go up mildly year on year due to the low comparing basis last year.

The NDRC expected the CPI to grow 2.6 percent in the first half of 2010 over one year ago.

- IMF advisor calls for Europe-China co-op in reforming int'l market (17th June) (Xinhua) -- The special adviser to IMF chief Dominique Strauss-Kahn, Zhu Min, on Wednesday called for European-China cooperation in establishing a healthy international market.

"What Europe and China can do? I can see the huge room in which both of us can work together to build a better and sound international market system for tomorrow," Zhu said at a symposium on European-China economic cooperation, organized by the French Treasury.

The IMF is making great efforts to strengthen and improve supervision to ensure a better capital flow, which will help promote a more stable and more integrated international financial system, Zhu said.

In doing so, the IMF needs support from Europe and China, he said at a roundtable discussion on global governance and the international monetary system.

At the beginning of his address, Zhu cited an imbalance between demand and supply of major reserve currencies, saying "obviously, the dollar remains the major reserve currency."

"The U.S. economy only accounts 24 percent of global GDP, but the dollar dominates the sovereign debt, accounting 42 percent of the world's total," said the expert.

In addition, he pointed to the absence of an automatic adjustment mechanism for international market systems, noting that whenever a crisis flares up, "the system can not adjust automatically," so the effects build up and accumulate rapidly.

In his view, another flaw in the existing market system is the volatile capital flow across the world.

The question is "how to establish a new (system)," the IMF special advisor said at the panel of the conference, which drew some 200 representatives from China and Europe.

The IMF was undertaking reforms in a bid to be able to play a more proactive and more effective role in building a new international monetary system, Zhu said.

He also suggested the United States and China cooperate and manage capital flows in a better way, to ensure the capital flows to an area where can be used more effectively, and to promote global financial stability for a better market system.

- WTO against US poultry ban (17th June)

(Xinhuanet) -- China appears to have notched up a victory in a dispute against the United States over the latter's ban on poultry imports, according to an interim report by the World Trade Organization (WTO).

"We think the US will not try to impose a similar ban in the next fiscal year, since it would be regarded as open defiance of the latest WTO ruling," a Ministry of Commerce official, who declined to be named, told China Daily on Wednesday, adding that Beijing had received the WTO report.

Another ministry official, Cheng Yongru, said China should take a firmer stance on import restrictions and technical barriers.

"Most of the actions China has taken involve anti-dumping and countervailing cases. It should get tougher on import restrictions and technical barriers to trade," Cheng, a division director of the bureau of fair trade for imports and exports, told China Daily.

The WTO interim ruling said the US import ban on China's poultry violates Sanitary and Phytosanitary Measures, or the SPS Agreement - which spells out how governments can apply food safety and animal and plant health measures - as well as most-favored-nation (MFN) treatment and general elimination of quantitative restrictions under the WTO legal framework.

The US move is not in line with the principles of the MFN treatment since the ban only targeted China, according to Zhang Liying, a professor of international law at China University of Political Science and Law.

The majority of the WTO panel of experts handling the dispute ruled in favor of China, according to a report by the China News Service.

The US can appeal against the decision, according to WTO rules, but the report will be considered the panel's final verdict if the US loses the appeal.

In April 2009, China filed an appeal with the WTO to protest a key clause in a US law, which prohibits Chinese exports of poultry.

China argued that section 727 of the Omnibus Appropriations Act of 2009, which was signed into US law in March 2009, violates the rules of the world trade body.

According to the US law, no government funds should be made available for establishment or implementation of a rule allowing imports of poultry products from China - deemed a de facto ban on Chinese poultry products.

The US government has revised the law annually for several years, said Zhang.

"Actually, the 2009 law we complained about has already ceased to be in effect, and it's not clear if the ruling will have a binding effect on its successor, section 743 in Act 2010," Zhang said.

The latest WTO report will force the US to comply with free trade rules and restrict its discriminatory actions against China, which is highly significant given the growing number of trade disputes between the world's two major traders, she said.

"It's good news for China anyway; it will bolster our confidence in the multilateral trading system," said Cheng, the ministry official.

(Source: China Daily)

- China calls for "growth-friendly" fiscal consolidation in world economic recovery (18th June)

(Xinhua) -- China's fiscal risk is controllable as it aims for a balanced economy, a senior finance official said Friday in a call for "growth-friendly" fiscal consolidation of the world economy.

"According to some indicators, the fiscal risk China is facing is controllable, and China's fiscal development retains sound momentum," said Vice Finance Minister Zhu Guangyao at a news briefing on the fourth Group of 20 (G20) summit.

China's budget deficit accounted for 2.9 percent of GDP in 2009 and was expected to stand at 2.8 percent this year, said Zhu.

"Even facing healthy and sound momentum, the Chinese government attaches importance to balanced and stable economic development," said Zhu.

Fiscal consolidation would be a major topic at the Toronto summit, and the G20 leaders would discuss how to maintain robust, sustainable and balanced economic growth, said Zhu.

Some European Union (EU) member states have announced austerity plans to cut public deficits in a bid to restore investor confidence in their economies and in the euro, but the fiscal consolidation measures have drawn strong opposition.

Zhu said the global economy was undergoing gradual recovery, but still facing some uncertainties, especially with the European debt crisis.

Under the extremely complex economic situation, fiscal consolidation was needed, "but the consolidation should be conducive to healthy economic development -- that is, growth-friendly fiscal consolidation," Zhu said.

However, the issue of China's currency valuation it was not on the agenda in Toronto, said officials.

"The renminbi is China's currency, and it is not an issue for international discussion," said Vice Foreign Minister Cui Tiankai.

Cui said China has expectations from the summit, the first meeting since the institutionalization of the G20 in Pittsburgh in September last year.

Cui said China hoped the member countries would:

- enhance communication and coordination of macro-economic policies;
- push the International Monetary Fund (IMF) to finish its quota reform to give more representation to emerging markets and developing countries;
- improve the international financial system and deepen the reform of the international supervision system;
- pay more attention to development problems and provide political support to the United Nation's high-level meeting on the Millennium Development Goals in September this year;
- and oppose trade protectionism and promote the completion of the Doha round of trade talks.

CANADA VISIT

President Hu Jintao will attend the summit in Toronto on June 26 and 27 after a state visit to Canada from June 23, the first such visit by a Chinese head of state for five years.

As the two countries were marking the 40th anniversary of establishment of diplomatic ties, "the visit is a big event and is of great significance for the China-Canada relationship," said Cui.

Hu is scheduled to meet with Canadian Governor-General Michaëlle Jean and Prime Minister Stephen Harper, and the two sides would sign a series of deals, said Cui.

Cui said the two countries would discuss trade, culture, education and energy issues and make some important announcements, including a new description of bilateral ties and trade targets.

China-Canada trade hit 29.7 billion U.S. dollars in 2009, and China has become Canada's second largest trade partner while Canada is China's 13th largest trade partner.

Harper made his maiden visit to China as Canadian prime minister at the end of 2009, and the two countries signed a joint statement and four cooperative documents.

- Chinese entrepreneurs confidence falls in Q2 (18th June)

(Xinhua) -- Chinese entrepreneurs' confidence about the macro economy was lower in the second quarter than the first, on concerns of rising production costs and shrinking demand, according to a survey report issued by the People's Bank of China (PBOC) Thursday.

The entrepreneurs confidence index fell by 0.5 percentage points in the second quarter to 83.9 percent from the first quarter, ending a rising trend since the first quarter of 2009, said the PBOC in the report.

Production cost pressures have increased as the production material price index, a measurement of production costs, rose 2.3 percentage points to 64.1 percent from the first quarter, the highest since the end of 2008, according to the report.

The report also showed the nation's entrepreneurs were "prudently optimistic" about export demand as the exports order index declined slightly from the first quarter.

The index was calculated on the basis of a survey targeted at 5,000 entrepreneurs nationwide.

Data from the National Bureau of Statistics (NBS) showed Chinese factories production slowed in May, as year-on-year growth for industrial value-added output was down 1.3 percentage points from April to 16.5 percent.

The report also showed the bankers confidence index fell to 64 percent in the second quarter, down 5.8 percentage points from the first quarter.

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

NBS data showed new yuan-dominated loans in May fell to 639.4 billion yuan (93.6 billion U.S. dollars) from 774 billion yuan in April.

- China's top 10 steelmakers to produce 60 pct of the nation's steel by 2015: government plan (18th June)

(Xinhua) -- China expects its top 10 steel makers to produce more than 60 percent of the country's total steel output by 2015, up from 44 percent in 2009, according to a document published on the government's website Thursday.

China is encouraging its big steel companies to acquire other smaller ones and restructure so to consolidate the steel industry. It aims to create three to five major steel companies that will compete in the international market, according to the document issued by the General Office of the State Council.

The plan is also part of the country's efforts to cut emissions through restructuring the steel sector, which has the "biggest potential" for emissions reductions, the document said. The government said it would encourage domestic steel mills and iron ore firms to set up reliable iron ore bases overseas and for big steel companies to establish plants overseas.

The government would prohibit "blind investment" and "repetitive construction" in the steel sector, the document said, adding that as of the end of 2011 the government would not approve of any new steel projects that aim to expand capacity.

More efforts were needed to eliminate out-dated capacity, the document said.

- AUTOS: Chinese worker discontent spreads (19th June)

Toyota closed a car factory in China on Friday because of a supplier strike, while [Honda](#) was hit by a walkout at a fourth affiliate there as worker discontent over low pay spread through the industry.

Toyota closed the Tianjin factory at noon after a strike at supplier Toyoda Gosei in the city, said Mieko Iwasaki, a spokeswoman. Nihon Plast, a Honda supplier, shut its plant Thursday in Zhongshan, Guangdong province, after workers walked out demanding higher wages, said Takayuki Fujii, a Beijing-based spokesman for Honda.

Two previous walkouts at Honda suppliers in China have disrupted the Tokyo-based automaker's production in the country and forced it to raise wages, underscoring growing pressure for higher pay as the supply of low-cost labor shrinks in the world's fastest-growing major economy. Honda is trying to prevent workers at a third parts factory from resuming a strike.

- China decides to further reform RMB exchange rate regime (19th June)

(Xinhua) -- The People's Bank of China, China's central bank, has decided to proceed further with the reform of the Renminbi exchange rate regime to enhance the RMB exchange rate flexibility, a spokesperson of the central bank said Saturday.

The decision was made in view of the recent economic situation and financial market developments at home and abroad, and the balance of payments (BOP) situation in China, the spokesperson said in a statement.

In further proceeding with the reform, continued emphasis would be placed to reflecting market supply and demand with reference to a basket of currencies. The exchange rate floating bands will remain the same as previously announced in the inter-bank foreign exchange market, the spokesman said.

The spokesperson said China's external trade is becoming more balanced. The ratio of current account surplus to GDP, after a notable reduction in 2009, has been declining since the beginning of 2010.

"With the BOP account moving closer to equilibrium, the basis for large-scale appreciation of the RMB exchange rate does not exist," the spokesperson said.

The PBOC will further enable market to play a fundamental role in resource allocation, promote a more balanced BOP account, maintain the RMB exchange rate basically stable

at an adaptive and equilibrium level, and achieve the macroeconomic and financial stability in China, the spokesperson said.

China has moved into a managed floating exchange rate regime based on market supply and demand with reference of a basket of currencies since July 1, 2005.

The spokesperson said the reform of the RMB exchange rate regime has been making steady progress since 2005, producing the anticipated results and playing a positive role.

With the current round of international financial crisis was at its worst, the exchange rate of a number of sovereign currencies to the U.S. dollar depreciated by varying margins.

"The stability of the RMB exchange rate has played an important role in mitigating the crisis' impact, contributing significantly to Asian and global recovery, and demonstrating China's efforts in promoting global rebalancing," the spokesperson said.

The gradual recovery of the global economy and upturn of the Chinese economy has become more solid with enhanced economic stability. It is desirable to proceed further with reform of the RMB exchange rate regime and increase the RMB exchange rate flexibility, said the spokesperson.

- China's economic growth to slow down in 2nd half: economist (19th June)

(Xinhua) -- China's economic growth would slow down in the second half of this year, ending the double-digit increase in the first quarter, according to Xia Bin, a renowned Chinese economist, reported Saturday's China Securities Journal.

China's gross domestic product (GDP) growth would edge down by two to three percentage points in the second half from the first-quarter level, Xia, a member of the monetary policy committee of the People's Bank of China, the central bank, predicted Friday.

"This is within the reasonable range, and this does not equal to a recession," Xia, a researcher with the Development Research Center under the State Council, China's Cabinet, said at a financial and investment summit in Shanghai Friday.

China's GDP surged 11.9 percent year on year in the first quarter of the year.

Macro-management for the property sector, credit risk control in lending to local investment projects and tightening of loans to industries with excess capacity would have crucial impact on China's economic development, he said.

- Currency is off limits at G20 summit (19th June)

(Xinhuanet) -- Discussions about the yuan-dollar exchange rate will not be on the agenda at the Group of 20 meeting in Canada next week, Chinese officials said on Friday.

Zhang Tao, director of the international department of the People's Bank of China, the nation's central bank, said at a press conference that Chinese leaders will not engage in talks about its currency with other world leaders at the summit.

"China is monitoring the domestic and international economic situations very closely in deciding its own policies, including those regarding the yuan exchange rate mechanism," he said.

The Chinese economy still faces multiple uncertainties, Zhang told reporters.

At the same time, Vice-finance Minister Zhu Guangyao urged countries attending next week's G20 summit in Toronto to take account of each other's concerns.

Beijing is under pressure from Washington to raise the yuan rate to help the United States reduce its large trade deficit with China, and Zhu's comments followed a new bout of China-bashing at a US House of Representatives hearing on Wednesday.

Commenting on Friday's official remarks, the Wall Street Journal website reported that "China appears increasingly unlikely" to move on its currency before the G20 summit - "a prospect that threatens to restart a poisonous cycle of increasing criticism from US lawmakers and increasing defensiveness from Beijing".

One of the factors that Chinese economists have frequently cited of late is that, in May, the growth in China's industrial output was 16.5 percent year-on-year, 1.3 percentage points lower than in April.

The World Bank also announced on Friday that it has revised its forecast of China's yearly GDP growth in 2011 from the previous 8.7 percent to 8.5 percent. It said that after a strong start in 2010, China's growth will inevitably begin to slow down as a result of its policy-level stimulus and of measures to cap property market prices, which were introduced in April.

The World Bank predicted China's yearly GDP growth could be 9.5 percent in 2010, before it falls to 8.5 percent and continues to be slow in the next decade (while still keeping a respectable rate), due mainly to decelerating contributions from labor and productivity, and relatively weak capital accumulation.

Louis Kuijs, a senior economist at the World Bank, told China Daily that there is room to move on the yuan exchange rate, preferably on the flexibility side.

But if China needs to tighten its monetary stance to contain key economic risks, moves on the domestic front, such as raising interest rates, would be more practical, he said.

To effectively control the risks related to property prices, local government debts and banks' non-performing loans, China should let interest rates play a larger role in monetary policy, said Kuijs.

Ardo Hansson, the World Bank's lead economist for China, argued that global and domestic substantial uncertainty calls for policy flexibility rather than continued stimulus by default.

However, views still remain divided on the yuan among Chinese economists, some of whom suggest China might have missed the best time to start yuan appreciation.

"Now we are facing rising challenges from the European debt crisis and a slow-down in economic growth," said Huang Yiping, an economist with Peking University, adding that the longer China waits to appreciate the yuan, the worse consequence it may bear in possible trade wars.

Lei Yanhua, a researcher with the Chinese Academy of International Trade and Economic Cooperation affiliated to the Ministry of Commerce, argued that appreciating the yuan would increase the living cost of American middle-class families and jeopardize the Chinese economy when it is in the middle of significant restructuring.

(Source: China Daily)

- China Says It Will Increase Yuan's Flexibility (19th June)

China's central bank moved Saturday to head off resurgent international criticism of its currency policies with a pledge to make its tightly-controlled exchange rate more flexible, a surprise announcement that was quickly welcomed by the U.S. and others even though the central bank also ruled out a big rise in the yuan.

The People's Bank of China statement, issued on its website, didn't announce any specific changes to the exchange-rate regime. But it was seen as a clear signal that China will let the yuan resume a gradual rise against the U.S. currency—possibly as soon as Monday—after nearly two years of being effectively pegged around 6.83 yuan per dollar. The move comes a week ahead of the Group of 20 summit at which China's exchange-rate policy was expected to be discussed.

"In view of the recent economic situation and financial market developments at home and abroad, and the balance of payments situation in China, the People's Bank of China has decided to proceed further with reform of the renminbi exchange rate regime and to enhance the renminbi exchange rate flexibility," the central bank said in the statement, referring to the Chinese currency by its official name.

China's government fixed the yuan against the dollar in mid-2008, when the global recession was intensifying, as part of several measures to stabilize its economy. But international reaction to the policy has grown increasingly negative in recent months, with many of China's trading partners saying the currency is undervalued and thus gives Chinese-made goods an unfair edge. By abandoning the much-criticized peg, China may be able to defuse a potential political crisis and aid the long-term prospects of its economy, officials and economists said.

"This marks beginning of a new era," said Li Daokui, an academic economist who sits on the central bank's monetary policy committee. The central bank's announcement means that the de-facto peg against the dollar has now ended, he said, which should reduce pressure on the currency.

How much China allows the yuan to actually appreciate won't be apparent until markets open on Monday, and is likely to depend on the government's assessment of how well the global economy is performing. With the debt crisis in Europe worrying Chinese officials, the movement may not be fast. "The basis for large-scale appreciation of the renminbi exchange rate does not exist," the central bank said in the English-language version of its statement.

China's announcement was timed just ahead of the summit of the G-20 next weekend in Toronto, where Chinese President Hu Jintao will meet U.S. President Barack Obama and the leaders of the world's other major economies. China wanted to avoid its currency policies from becoming a focus of international criticism at the summit, analysts say. Emerging markets like Brazil and India had become increasingly unhappy with the effects of China's pegged currency, and the U.S. political calendar was also starting to heat up.

"If they went to the G-20 with the message that it's none of your business, that was going to go over like a lead balloon, and lead to a very unpleasant meeting. This will lead to a much more pleasant G-20 meeting," said Patrick Chovanec, a business professor at Tsinghua University in Beijing.

The G-20 summit had emerged as an unofficial deadline for China to address international criticism of its currency policy after the U.S. Treasury in early April postponed publication of a report on exchange-rate issues. The plan then, U.S. officials say, was to create a window when China could change policy without seeming to do so because of outside pressure.

Chinese officials have consistently insisted that outside considerations play no role in their setting of currency policy. Vice foreign minister Cui Tiankai said on Friday that the

yuan "is China's currency and this is not an issue the international community should discuss." Mr. Li, the central bank adviser, said the decision was not directly related to the G-20 summit and had not been forced on China.

But with the deadline of the G-20 meeting getting closer, some members of the U.S. Congress had begun to ramp up their public criticism of China. "If China does not act and the administration does not respond promptly thereafter, the Congress will act," Sander Levin, chairman of the House Ways and Means Committee, said Wednesday at a hearing on Chinese trade policy.

And administration officials have been trying to draw China's attention to the worsening political dynamic in Washington, to encourage a move before the tensions over the currency start to poison a relationship both sides have worked hard to keep on an even keel. "I think the strength, the sentiment in the Congress on this is overwhelmingly strong," Mr. Geithner said at a Senate hearing earlier this month. "I think it's important that China understands that."

The prospect of an end to the peg had been flagged in March by central bank governor Zhou Xiaochuan, who said China would eventually return to its pre-crisis policy of managing the exchange rate against a basket of currencies. At the U.S.-China Strategic and Economic Dialogue in May, Chinese President Hu Jintao also repeated a pledge to continue reforms to the exchange-rate regime.

But many analysts felt the prospects for an early move on the currency had dimmed after the European debt crisis brought in financial markets and the prospect of weaker global growth. And China did not announce either a one-off appreciation of the currency or a widening of the yuan's daily trading band, measures that some economists had speculated would be included in any reform package. That may indicate that China's appetite for significant change in the currency is limited. As of last week, currency derivative markets were pricing in an appreciation of a little more than 1% against the U.S. dollar over the next 12 months.

On the other hand, China's consumer price inflation went over 3% in May for the first time in a year and a half, which may have increased the pressure on authorities to use a stronger currency to tame higher prices.

When China last followed what it called a managed float with reference to a basket of currencies, it resulted in a 21% gain against the dollar from 2005 to mid-2008, with the fastest appreciation coming in periods of high inflation.

But because of the strength of the dollar this year, China's peg has actually resulted in a sharp appreciation of the yuan against a basket of other currencies. The euro's recent plunge against the dollar means that its value has risen 15% this year against the currency of Europe, China's largest trading partner. So China can legitimately argue that its currency is already much stronger than it was just a few months ago.

"We are going back to something like what was in place from 2005-2007. There might be a less aggressive pace of appreciation than last time," said Standard Chartered economist Stephen Green. "They are obviously very cautious. They are worried about Europe, and the trade surplus is quite a bit lower."

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- Major Toyota plant in China to resume ops after strike ends (19th June)

Toyota Motor said its largest assembly plant in China will fully resume output on Monday after a strike at an affiliated auto parts supplier in the country had halted production.

The auto giant's Chinese joint venture, Tianjin FAW Toyota, had to suspend all of its lines Friday due to the walkout at the parts plant, which makes interior and exterior plastic parts.

But the strike at the Tianjin Toyoda Gosei plant in northern China came to an end on Saturday, Tokyo-based Toyota spokeswoman Mieko Iwasaki told AFP.

"The workers will come back to the plant of Tianjin Toyoda Gosei from Sunday. Tianjin FAW Toyota therefore will resume its full output on Monday," the spokeswoman said.

She added that she had no more details such as whether the parts supplier had offered a pay rise to end the strike.

The strike at Tianjin Toyoda Gosei began Thursday when about 40 workers at the 1,700-employee factory demanded pay rises, a spokesman for the joint venture which runs the factory said earlier.

It followed a walkout last week at another factory in China making door parts for Toyota.

Tianjin FAW Toyota is the automaker's largest joint venture in China, with more than 12,000 workers.

Toyota's rival Honda has already been hit by strikes in recent weeks that have put a spotlight on complaints about low pay and long hours for millions of migrant workers in China.

Honda offered a 24 percent pay rise to staff at its main parts factory to end a strike, while employees at a plant making locks and key sets agreed to go back to work last week as negotiations on wages continues.

Toyota also has assembly plants jointly run with Chinese partners in Guangdong province in southern China and Sichuan province in the southwest.

Social front

- China's Vice Premier urges more construction of low-rent housing (13th June) (Xinhua) -- Chinese Vice Premier Li Keqiang has said that low-rent and affordable housing construction should be sped up to meet people's basic demands for living. The construction of public low-rent housing seeks to offer middle and low-income urban residents with adequate housing and affordable rents. This not only helps curb

skyrocketing property prices in some cities, but is also conducive to bridge the income gap and assist in urbanization, Li told a national meeting which concluded on Saturday.

While speaking at the two-day meeting, Li urged local authorities to create favorable taxation and financing policies to support such housing programs.

He noted that private capital is also welcome to join the mission to diversify fund raising channels. Li urged different localities to explore their own methods based upon their unique conditions to carry out housing construction.

Li also said that the construction and distribution of low-rent housing should be transparent and fair.

Exorbitant housing prices in some cities have become a major complaint of Chinese citizens. Home prices in 70 large and medium-sized cities rose by 12.4 percent year on year in May, the National Bureau of Statistics said this week.

However, the growth rate was 0.4 percentage points lower than that of April, as property sales in major big cities dropped following a string of government measures to rein in prices.

- Chinese publicity official urges public's mobilization to develop cultural industries (15th June)

(Xinhua) -- A senior Chinese publicity official has urged the government to mobilize the public to boost the development of the nation's cultural industries.

In an article to be published Wednesday in "Qiu Shi" (Seeking Truth) magazine, Li Changchun, a member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee, said efforts should be made to highlight the themes of the times while encouraging diversity in the development of China's cultural industries.

Enhanced efforts must be made to embrace reform and innovation in developing China's cultural industry, he said, adding that more talents should be trained.

He called for efforts to build a cultural services network that benefits both urban and rural residents.

"Qiu Shi" magazine is the official publication of the CPC Central Committee.

- China remains rising star in global attitude survey (18th June)

(Xinhua) -- Overall views of China held by people from all over the world remained largely steady in the past year after improvement in favorability ratings in 2009, and the general public in most nations see China more as a partner, according to a major survey by Pew Research Center released on Thursday.

The survey, conducted in 22 nations from April 7 to May 8, found that in most Western countries, more people view China positively than those view China negatively.

In the United States, 49 percent of those interviewed hold positive views of China, compared to 36 percent who hold negative views. In Spain, the figure is 47 to 38, and in Britain 46 to 35. The majority of public in France and Germany hold China in a negative light.

In Eastern Europe and the developing world, China's ratings remain strong. About 60 percent of Russians view China positively, and with the exception of Turkey, the majority of publics in Muslim nations view China positively. China is also well received in Latin America and Africa.

Former U.S. secretary of state Madeleine Albright, who co-chaired the Pew global attitudes project, noted at a Washington news conference on Thursday that China is regarded highly as a result of the country's fast economic growth.

"Their star is clearly rising," she said.

Apart from this generally positive view, large majorities in African countries, as well as sizable numbers in three Latin American countries polled, view China as a partner. In the United States and Japan, although people who view China as a partner still remain in minority, their percentage in the general population has seen a 10-point increase respectively over the past year.

In addition to China's economic growth rate, Albright attributed the trend to the increased willingness of the Chinese side to "be a part of the solution to global issues," which include the world economic crisis, Korean Peninsula denuclearization and the Iran nuclear issue.

"A lot more people now know about China and have been to China," she said, citing the Beijing Olympic Games and Shanghai Expo as examples of China's improved "visibility" on the global stage which promotes a better understanding of the country.

Ethnic issues

Environmental front

- More audits will track green effort (13th June)

(Xinhuanet) -- China's top auditor has pledged to strengthen environmental audits in a bid to achieve sustainable economic and social development.

"Environmental audits are crucial to a timely discovery and prevention of problems or risks in environmental protection," said Liu Jiayi, auditor general of China in an interview.

"We will explore a tailored path for Chinese environmental audits and protection."

Liu, head of the China National Audit Office (CNAO), made the remarks on the sidelines of the Working Group on Environmental Auditing (WGEA) meeting under the United Nations that ended last Thursday.

A total of 127 auditing professionals from 57 countries and international organizations gathered in Guilin and discussed using auditing to monitor and promote resources and environmental protection.

The CNAO has been carrying out a national audit of energy conservation and emissions reduction since last October.

The audit focuses on whether the fiscal fund earmarked by the central government to upgrade productivity is being properly used, and if local governments and high-polluting industries such as electricity, cement or iron ore, have reached their green targets.

Ahead of the Copenhagen summit last year, China pledged to cut the amount of carbon dioxide produced for each unit of GDP by 40 to 45 percent by 2020 from the 2005 levels, which is considered "a very tough mission" by many domestic scholars.

China is trying to transform its economic development mode into one featuring "less input, less consumption, less emission and high efficiency," and pledges to cut the energy consumption used to generate one unit of GDP by 20 percent and major pollutants emissions by 10 percent between 2006 and 2010.

The central budget earmarked 50 billion yuan in 2010 for a special fund to push for energy conservation and emissions reduction. That total is 20 billion more than 2009's total.

China's environmental audits will scrutinize energy consumption and emissions reduction, especially in water and mine resources, said Ding Yan, deputy director general of the Department for Audits of Agriculture, Resources and Environmental Protection, under the CNAO.

"There was no specialized environmental audit organization in China until 1998, but we have made very big progress these last few years," she said.

The most challenging part is that China's huge population and limited resources could easily lead to overexploitation and pollution, she said.

Since 2000, China has launched several large-scale audits to check the collection, management and utilization of funds for resource and environmental protection projects. Based on fund tracing, auditors evaluate the projects, the effects, and the government policies, then make suggestions for corrections or improvements.

Ding said they have audited projects including the return of farmland to forests, prevention and control of water pollution of major rivers and lakes, and ecological protection along the Qinghai-Tibet railway.

China is making remarkable progress in environmental protection, Ding said. The energy consumption per unit of GDP has reduced by 14.38 percent from that of 2005, and the forest coverage has grown to 20.36 percent from 13.92 percent in the early 1990s.

Cyber/Technology Front

- China to send more computers to rural west to promote Internet use (17th June) (Xinhua) -- The Chinese government is to continue a project -- sending computers to the country's western rural areas in a bid to close the digital divide.

According to a circular jointly released Thursday by five Party and government agencies, these computers will be specially for students, rural residents and officials at the grassroots.

The central government will invite public bids from computer manufacturers.

The circular did not specify how many computers the government planned to purchase for the project. However, in 2009 the project sent 53,000 computers to 12 western provinces and regions including Xinjiang, Tibet, Inner Mongolia, Ningxia, Guangxi and Sichuan.

All bidders must first guarantee to pre-install filter software on the computers, the circular said.

The activity was jointly launched by the Publicity Department of the Communist Party of China (CPC) Central Committee, the civilization office of the CPC Central Committee, the Ministry of Education, the Ministry of Industry and Information Technology and the Ministry of Culture.

Regional report

North

Politics

Social front

- Chinese Premier calls for improving migrant workers' living conditions in cities (15th June)

(Xinhua) -- Chinese Premier Wen Jiabao has called for improving the urban living conditions for migrant workers who left their rural hometowns and are significantly contributing to the country's urbanization.

Wen made the his remarks at the start of the three-day holiday for the Chinese traditional Dragon Boat Festival on Monday during his visit to a local community and a construction site on Beijing's line 6 subway.

Wen noted that government officials, as well as all members of society, should treat young migrant workers as their own children, adding that the migrant workers' contribution to the growth of the country's wealth and the building of urban skyscrapers should be respected, Wen said when meeting migrant workers at the subway construction site.

Additionally, Wen said that the government should work to resolve problems for migrant workers, such as marriage, housing and taking care of their children, and help them adapt to living in the cities where they are working.

Wen also proposed that local government and subway construction companies should increase recreational activities, such as sports games and Karaoke, for migrant workers to enjoy during their free time in the city.

At the same time, he encouraged young migrant workers to learn more practical skills and read more books so their leisure time would not be boring.

Further, the premier vowed to improve construction in rural areas by building more hospitals, schools and other public facilities so that migrant workers would have fewer worries in their hometowns.

Wen also visited a local children's welfare home where he met some 558 orphans. He praised the home's teachers for their hard work and the love they offered the children.

Premier Wen also visited a local market where he expressed his concern about the prices of vegetables and other foods.

The Dragon Boat Festival, which falls on Wednesday, is a traditional Chinese holiday to commemorate the life and death of romantic poet Qu Yuan (340 BC - 278 BC).

Economic front

Northwest

Politics

Social front

Economic front

Northeast

Politics

Social front

Economic front

- New port to be built in NE China to boost north-south coal transport (13th June) (Xinhua) -- Construction of a coal port started Saturday in Jinzhou City, northeast China's Liaoning Province. The port is a state-approved project designed to boost the transport of coal from landlocked northern Inner Mongolia Autonomous Region to fuel-thirsty markets in the south.

The project, the second of the kind under construction in the province this year, has been designed to have an annual handling capacity of 35 million tonnes upon the completion of the first phase construction by 2013. The other coal port in Suizhong County is expected to boast 100 million tonnes of annual capacity.

- KFC agrees to raise workers' pay after negotiations with Chinese trade union (17th June)

(Xinhua) -- Representatives of U.S. fast-food chain KFC in northeast China's Shenyang City Thursday signed the company's first collective labor contract on the Chinese mainland, agreeing to raise workers' wages and meeting the demands of a local trade union.

According to the agreement, the company's roughly 2,000 employees will enjoy a minimum monthly wage of 900 yuan (131.7 U.S. dollars) - up from the company's previous offer of 700 yuan per month - and an annual five percent pay raise.

An executive with Yum! Brands Inc. in Shenyang said on the condition of anonymity the agreement is the company's first collective labor contract on the Chinese mainland.

He admitted the company had been under pressure after media reports of the negotiations with the local trade union.

Yum! Brands Inc. in Shenyang manages 57 KFC outlets and 11 Pizza Hut restaurants. The company is known by locals as KFC Shenyang.

The company said in a statement earlier this month most of its employees in Shenyang already have monthly wages of over 900 yuan, and so the signing of the contract "would not necessarily mean workers' pay would immediately rise."

Duan Yang, vice president of the Shenyang Municipal Trade Union, said the inking of the collective labor contract was "significant in that it established a mechanism for negotiations between the employer and workers on wage issues."

"The contract also ensures service-sector workers at the lowest level in fast-food outlets will benefit from an annual pay rise," he added.

Yum! Brands Inc. in Shenyang submitted a draft version of the contract to the union on Feb. 12 this year. But the union regarded it as "favorable to the company and unfair to its employees" and urged the company to define a worker's minimum wage in the contract.

Li Zhongmin, a public relations manager with Yum! Brands Inc. in Shenyang, explained on June 2 the company needed to report matters regarding contract changes to the

company's China headquarters, which caused a delay in responding to the union's demands.

Duan Yang said a collective labor contract is important as a base for companies to sign individual labor contracts.

He said companies should set a minimum wage and a specified annual wage increase that reflects their social conscience.

The All China Federation of Trade Unions has been promoting corporate collective labor contracts through the "Rainbow Project." The three-year project aims to have companies sign collective agreements with trade unions by 2012.

Federation statistics show that by September 2009, 1.24 million collective labor agreements had been signed to cover 161.9 million workers.

Retailing-giant Walmart's Shenyang subsidiary, for example, agreed to an 8-percent annual pay rise in a collective labor contract signed in 2008.

Salary disputes have triggered a string of strikes and suicides at overseas-funded plants in China recently, with transnational Japan-based carmaker Honda Motor Co. still dealing a strike.

Chinese Premier Wen Jiabao pledged in March to deepen income redistribution reforms.

Wen said income redistribution is an "important manifestation of social fairness and justice" and a major booster of domestic demand that narrows income gaps.

Since February, a dozen of Chinese provinces and municipalities have lifted their minimum wages.

China's southernmost province, Hainan, became the latest to raise its minimum wage. The provincial government said Thursday that from July 1 the minimum wage in the province will rise 31.7 percent to 830 yuan. About 120,000 people are expected to benefit from the policy.

Southwest

Politics

Social front

Economic front

- West China puts development hopes on new economic zone (18th June)

(Xinhua) -- The municipality of Chongqing Friday officially unveiled west China's first "new area" economic development zone in Liangjiang.

China's State Council has granted the same favorable policies to Liangjiang New Area as those given to the Pudong and Binhai new areas in Shanghai and Tianjin respectively.

But compared to the other new areas, Liangjiang would have more complicated responsibilities in carrying out the country's strategic development plans, said officials at the inauguration ceremony.

Wang Qingyun, of the National Development and Reform Commission, specified Liangjiang's functions as:

- a pilot zone of comprehensive urban and rural development;
- an inland base for advanced manufacturing and modern service base in inland area;
- a financial and innovation center;
- a gate of reform and opening-up in west China.

"The central government sees reforms in Liangjiang New Area as significant measures to counter difficulties in the global economic downturn and carry out strategies to rebalance economic development," Wang said in a speech.

The inauguration of Liangjiang New Area coincided with the 13th anniversary of Chongqing's establishment as the country's fourth municipality, and the only one in west China.

Bo Xilai, Communist Party of China chief of Chongqing, said Liangjiang would further boost the development of China's west, and help bridge the economic gap between western and coastal regions.

"China economy has relied heavily on the export-oriented coastal region over the past 30 years, which has been the destination for 90 percent of the country's export tax rebates," he said.

He said Liangjiang could drive development in an area of 6.8 million square km. Its ripple effect would be much larger than that of Pudong, dubbed the "locomotive" of economic development in an area of 200,000 square km in the Yangtze River Delta, and that of Binhai, a financial hub for 300,000 to 400,000 square km of the Bohai Sea Economic Circle.

Huang Qifan, Mayor of Chongqing, said Liangjiang New Area covering 1,200 square km would become a modern industrial center with a population of 4 million.

The area's targeted gross domestic product was 600 billion yuan (87.8 billion U.S. dollars) by 2020, up from 80 billion yuan last year, he said.

Rail transport, power equipment, new-energy cars, defense and IT would be the pillar industries in Liangjiang, which would enjoy favorable policies in planning, finance, taxation, investment and foreign trade, he said.

Unlike Pudong and Binhai, Liangjiang was not established as a new area on open ground. Liangjiang boasts the only river port bonded zone and airport bonded zone in the western region. It is the de-facto logistic center in the upper reaches of China's longest river, the Yangtze.

South central

Politics

Social front

Economic front

East

Politics

- Zhejiang Province to promote cooperation with Taiwan (17th June)
(Xinhua) -- China's eastern Zhejiang Province and Taiwan have agreed to deepen cooperation in agriculture, tourism, finance and other sectors, according to sources with a Zhejiang delegation which concluded its eight-day visit to the island on Wednesday.

The sources said that the delegation, led by Zhejiang governor Lu Zushan, purchased 31 million yuan (4.5 million U.S. dollars) worth fruits and tea products from local farmers in Kaohsiung and Nantou.

Zhejiang provincial government also pledged to help Taiwan farmers to sell their agricultural products in Hangzhou, Ningbo, Yiwu and other cities in the province and offer them preferential treatment in participating farm produce exhibitions.

Zhejiang Province plans to increase its imports from Taiwan to about 10 billion U.S. dollars by the end of this year, from last year's 7.7 billion U.S. dollars.

After the first six Zhejiang companies which have been permitted to conduct investment in Taiwan, Zhejiang government will promote more companies to invest in the island.

Commercial banks in Zhejiang and Taiwan have also achieved cooperation agreement on financial service, insurance, futures trading and other services for small and medium-sized companies on both sides.

Zhejiang is where many Taiwan people come from.

The province is also a magnet for Taiwanese investment. The trade volume between Zhejiang and Taiwan hit 9.06 billion U.S. dollars last year, according to Lu.

Since the beginning of this year, leading officials from various municipalities and provinces - Shanghai, Hubei, Fujian, Guizhou, Qinghai, Shandong and Sichuan - and the ministries of commerce and agriculture have led delegations to Taiwan to boost cooperation and exchanges with the island.

- Expo an opportunity to strengthen EU-China relations: official (18th June) (Xinhua) -- The Shanghai World Expo is "a perfect opportunity to build on and further strengthen the good relations" between the European Union and China, an EU official said Thursday.

"The European Union is China's main economic partner and we have built a strategic partnership with the Chinese government over the years," Viviane Reding, vice president of the EU Commission, told Xinhua in an interview.

The Shanghai World Expo, the largest event of the decade in China except for the Beijing Olympics, was expected to attract 70 million visitors, Reding said.

On July 1, Belgium will assume the EU presidency, and the Belgium pavilion at the Shanghai Expo Park will formally become the EU pavilion.

The pavilion will offer "a unique opportunity to bring Europe closer to citizens," not only EU citizens, Reding said.

It is also "a perfect opportunity to build on and further strengthen the good relations" with China, she said.

A series of programs will be held in the EU pavilion to display an "Intelligent Europe," Reding said.

The programs will also introduce the EU's member states, its history, values and objectives, and demonstrate its economic and social achievements, she said.

Social front

Economic front

- Foreign trade in East China province up 50% (19th June)

(Xinhua) -- Foreign trade in economically-developed Jiangsu Province in eastern China totaled 174.29 billion U.S. dollars in the first five months of the year, a 50 percent year-on-year increase.

Exports amounted to 98.71 billion U.S. dollars, up 42.7 percent, while imports totaled 75.58 billion dollars, up 61 percent.

The province accounted for 15.8 percent of China's total foreign trade in the five-month period, up 0.6 percentage points.

The province's trade with the European Union reached 32.06 billion U.S. dollars in the January to May period, up 47.9 percent.

HONGKONG AND MACAU

Politics

- HK Chief Executive, lawmaker debate on development of political system (17th June)

(Xinhua) -- HK Special Administrative Region's Chief Executive Donald Tsang held a televised debate on Thursday evening with Audrey Eu, member of the city's Legislative Council, over development of HK's political system.

In his opening remarks, Tsang said the objective for this debate was to secure support for the passage of the 2012 constitutional reform package as Hong Kong's democratic development has reached a critical moment.

"The package is consistent with the Basic Law and the decision of the Standing Committee of the National People's Congress. It will also significantly enhance the democratic elements of the two electoral methods for 2012," he said.

Tsang urged the 60-member Legislative Council and HK's 7 million residents to support the reform package.

On her part, Eu explained the reasons why she was opposed to the 2012 constitutional reform package and expressed her viewpoints on such issues as universal suffrage and functional constituencies.

The 55-minute debate started at 6:35 p.m. local time. It was divided into five rounds, including opening remarks, argument, answering questions from the public and concluding remarks.

The debate was broadcast live by several TV stations in the city.

The 2012 constitutional reform package refers to a package of proposals on the methods of selecting HK's Chief Executive and on forming the city's Legislative Council in 2012.

The package was announced by the HKSAR government on April 14. It is expected to be put to vote before the Legislative Council on June 23.

Social front

- Macao's ratio of health professionals to population rises in 2009 (15th June)

(Xinhua) -- Macao saw the number of doctors per 1,000 population and that of nurses respectively reach 2.4 and 2.8 in 2009, rising by 0.1 and 0.2 percentage point year-on-year, according to the figures released on Tuesday by Macao's Statistics and Census Service (DSEC).

The DSEC figures also showed that there were a total of 560 doctors and 1,169 nurses engaging in Macao's three major hospitals last year, with the number of in-patient beds

totaling 1,109. The number of in-patient beds per 1,000 population rose from 1.9 in 2008 to 2.0 in 2009.

A total of 14,000 surgical operations and 306,000 emergency treatments were carried out in these hospitals last year.

Meanwhile, there were another 495 establishments providing primary health care services, with 383 private clinics, engaging 723 doctors and 450 nurses.

In addition, there were 228 local establishments providing traditional Chinese medicine and therapy services, engaging 182 doctors and 160 Chinese herbalists, according to the DSEC.

Economic front

- HK's industrial production index rises slightly in Q1 (14th June)

(Xinhua) -- HK's industrial production index for manufacturing sector rose 0.4 percent in the first quarter over a year earlier, while the corresponding producer price index recorded a year-on-year rise of 4 percent, the city's Census and Statistics Department said on Monday.

The food, beverages and tobacco industry had the largest increase of 6.4 percent in output volume, followed by the metal, computer, electronic and optical products, machinery and equipment, it said.

Falls in output volume were recorded in apparel, textiles and the paper products, printing and reproduction of recorded media industries. Output volume of apparel in the first quarter this year fell most by 20.1 percent.

On a seasonally adjusted basis, the index of industrial production for manufacturing industries as a whole rose 2.9 percent in the first quarter over the fourth quarter last year.

In the first quarter, the metal, computer, electronic and optical products, machinery and equipment industry recorded the largest year-on-year increase in producer prices by 8.2 percent.

Decreases in producer prices were seen in the paper products, printing and reproduction of recorded media, textiles and the apparel industries.

- Macao banks int'l assets up 2.7 pct in Q1 (15th June)

(Xinhua) -- The total international assets of Macao banks for the first quarter of this year reached 46.5 billion U.S. dollars, an increase of 19.7 percent over the same period of last year.

According to the figures released on Tuesday by the Monetary Authority of Macao, of the international assets, external assets jumped by 25.6 percent to 291.7 billion patacas (36.5 billion U.S. dollars) year-on-year while local assets in foreign currencies rose slightly by 2 percent to 80.1 billion patacas (10 billion U.S. dollars).

The share of international assets in Macao's total banking assets fell to 84.1 percent in the period from 84.8 percent at the end of 2009, whereas the share of international liabilities in total banking liabilities rose to 78 percent from 77.5 percent, the Authority also said.

Foreign currencies remained as the dominant denomination in Macao's international banking transactions.

At the end of March this year, the shares of pataca in total international assets and total international liabilities were 0.5 percent and 1.9 percent respectively, while Hong Kong dollar and other foreign currencies accounted for 45.9 percent and 53.7 percent of total

international assets as well as 47.8 percent and 50.4 percent of total international liabilities respectively, the figures indicated.

- HK senior official visits Russia, UK, Ireland (16th June)

(Xinhua) -- Hong Kong's Secretary for Financial Services and the Treasury KC Chan left for St. Petersburg Wednesday on a week-long visit to Russia, the United Kingdom and Ireland to promote Hong Kong as an international financial center.

Chan will attend the St Petersburg International Economic Forum on June 17 to 19, according to a bulletin released on Wednesday by the Information Services Department of Hong Kong Special Administrative Region (HKSAR) government.

Chan will also meet the Head of the Federal Service for the Financial Markets of Russia Vladimir Milovidov and Chairman of the External Affairs Committee of the St Petersburg City Government Alexander Prokhorenko.

The statement added that Chan will sign the comprehensive agreement for the avoidance of double taxation with the UK in London on June 21 and with Ireland in Dublin on June 22.

He will speak at two luncheon meetings, one organized by Chatham House in London and another organized in Dublin by the Hong Kong Economic and Trade Office (Brussels) and the Hong Kong Trade Development Council.

During his stay in London and Dublin, Chan will meet senior officials, including Deputy Governor (Financial Stability) of the Bank of England Paul Tucker, Lord Mayor of the City of London Nicholas Anstee and Minister of Finance of Ireland Brian Lenihan.

Chan will return to Hong Kong on June 24, said the statement.

- HK's exports up 17% in April (17th June)

(Xinhua) -- The volume of HK's total goods exports grew 16.7 percent year on year while imports grew 21.5 percent in April, the city's Census and Statistics Department said Thursday.

The volume of re-exports of goods in April rose 16.9 percent in the same month last year while that of domestic exports grew 8.6 percent, it said.

In the first four months this year, the volume of goods re- exports grew 21.6 percent from a year earlier, while that of domestic exports rose 17 percent. Taken together, the volume of total goods exports grew 21.5 percent year on year in the first four months. The volume of goods imports increased 28.5 percent.

- HK's composite interest rate rises to 0.13 pct (18th June)

(Xinhua) -- The Hong Kong Monetary Authority said Friday that the composite interest rate rose slightly by 2 basis points to 0.13 percent at the end of May, from 0.11 percent at the end of April.

The rise reflected upward adjustments of time deposit and interbank rates, said the authority.

During the month, Hong Kong Interbank Offered Rates has risen across the board by 0.2 to 21.9 basis points.

The composite interest rate is a weighted average interest rate of all Hong Kong dollar interest bearing liabilities, which include deposits from customers, amounts due to banks, negotiable certificates of deposit and other debt instruments, and Hong Kong dollar non-

interest bearing demanding deposits on the books of the banks, said the monetary authority.

- HK's exports to mainland for outward processing soar 35 pct in Q1 (18th June)
(Xinhua) -- HK's exports to the Chinese mainland in the first quarter this year for outward processing were worth 106 billion HK dollars (13.6 billion U.S. dollars), up 35 percent from a year earlier, the city's Census and Statistics Department said Friday.

Value of HK's re-exports to the mainland for outward processing jumped 37 percent to 104.6 billion HK dollars in the first quarter this year. But the value of domestic exports to the mainland for outward processing dropped 18 percent to 1.4 billion HK dollars.

In the first quarter, value of imports from the mainland related to outward processing rose 28 percent to 165.5 billion HK dollars. On the other hand, 166.4 billion HK dollars of the city's re-exports of mainland origin to other places were produced through outward processing on the mainland, representing an increase of 11 percent.

In the same period, 32 percent of Hong Kong's total exports to China's mainland were for outward processing, while the proportion was 19 percent for domestic exports and 32 percent for re-exports, according to the department.

Some 52 percent of Hong Kong's imports from the mainland were related to outward processing. In the first three months, 73 percent of re-exports of mainland origin to other places were produced through outward processing on the mainland.

The corresponding proportions for exports to the mainland in the first quarter last year were 33 percent for total exports, 31 percent for domestic exports and 33 percent for re-exports.

Proportions for HK's imports from the mainland and for re- exports of mainland origin to other places were 51 percent and 72 percent, respectively, it said.

(1 U.S. dollar equals to 7.784 HK dollars)