

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

### **China**

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## **National report**

### **Political front**

- New government transparency rules strike chord with public (12<sup>th</sup> July) (Xinhua) -- Thousands of Chinese have joined a heated discussion about new rules that are designed to curb corruption and increase transparency about the assets of government officials.

A regulation that took effect Sunday extends the list of declarable assets for officials and introduces dismissal as the maximum penalty for failing to report assets honestly and promptly.

The regulation adds six more items to the list of declarable assets issued in 2006, bringing the total to 14. The new items include incomes from sources like lecturing, painting and calligraphy; homes owned by spouses and children; and equities and investments owned by officials, their spouses and children.

#### **A FIRM STEP**

The new rules have struck a public chord and almost 50,000 people had left comments on China's two biggest Internet portal websites on Monday. Thousands more were joining the discussion on other news sites and discussion forums.

More than 36,500 people had made online comments on a news entry about the regulation on leading portal Sohu.com as of 1:30 p.m., and more than 11,000 comments on an entry at Sina.com.cn.

Most of the published postings welcomed the new rules, but some said they should go further.

"The fight against corruption has a long way to go, but I am really glad to see each firm step taken by the central authorities," said a posting from Shanghai on Sina.

"We want to see more detailed provisions and harsher punishments in the rule," said a post by "Shihuiwen 197" on Sohu.

The regulation was issued by the General Office of China's State Council and the General Office of the Communist Party of China (CPC) Central Committee.

It requires officials at deputy county chief level and above to annually report their assets, marital status and whereabouts and employment of family members.

New requirements for officials to report homes and investments reflected the need to change disciplinary structures in line with changing social and economic values, said Professor Liu Chun, deputy dean of the Graduate Institute of the Party School of the CPC Central Committee.

"This is targeting new problems in social development," said Liu. "Society has been eagerly calling for the reporting of officials' affairs, and the latest move complies with public opinion."

Ren Jianming, director of the anti-corruption and governance research center of Tsinghua University, said, "Corrupt officials take bribes not only in cash, but also in property, stocks and share rights, so the latest regulation effectively patches the hole."

- Chinese local governments' ability to handle crises has improved: study (15<sup>th</sup> July)

(Xinhua) -- Local governments in China are handling crises better than they were a year ago, according to a ranking list that was based on Internet analysis and published Thursday.

Local governments in "The Ranking List of Local Authorities' Response to Online Sentiment" scored 25 percent higher in the second quarter than they did a year ago, according to the public sentiment monitoring office of [www.people.com.cn](http://www.people.com.cn), a website run by People's Daily, the official newspaper of the ruling Communist Party of China (CPC).

The public sentiment monitoring office rated local governments on their performance in responsiveness, transparency, credibility, punishment of officials and skill in online response.

Scores in transparency, government response and government credibility increased 20.2 percent, 14 percent and 10.6 percent, respectively, from the first quarter to the second quarter of the year, said Shan Xuegang, deputy secretary general of the office.

In the second quarter, the list considered 10 major incidents.

The government of Ma'anshan City, Anhui Province, ranked first for its immediate dismissal of a tourism bureau chief for attacking a middle school student after a quarrel on June 13.

The official slapped the boy in the face, seriously humiliating the boy and then arrogantly refusing to apologize. The incident angered thousands and onlookers stopped him from leaving the scene until the city's CPC chief proposed his dismissal.

The secretary of CPC committee of Ma'anshan City arrived at the scene within hours of the incident, mollifying the crowd and avoiding a possible mass protest, Shan said.

The worst handling of an incident was when teachers in Binhai County, Jiangsu Province, were partially denied access to a local online forum that was sometimes critical of the local education bureau.

"Local governments are acting more quickly than before and there is less shielding of officials," Shan told Xinhua in an interview.

In a sharp contrast with the past, officials responsible for most of the incidents on the list were punished, saving the governments' credibility, Shan added.

China had 384 million Internet users at the end of 2009, and the Internet is a common place for people to exchange opinions.

- Chinese VP attends CPC Party School graduation ceremony (16<sup>th</sup> July)

(Xinhua) -- China's Vice President Xi Jinping on Friday attended a graduation ceremony held by the Party School of the Communist Party of China (CPC) Central Committee.

Xi, also president of the CPC's top Party school, awarded graduation certificates to some of 747 Party officials who finished the school's spring semester.

Another 3,300 Party officials serving in the central government and armed forces also graduated from branch campuses of the school Friday.

Vice president of the school Li Jingtian asked the school's graduates to continue studying diligently Party theories and domestic and international situations, and exert themselves to solving prominent problems and improve their work efficiency.

## Foreign relations

- China rejects U.S. finger pointing on human rights, democracy (12<sup>th</sup> July)  
(Xinhua) -- China has achieved obvious results in protecting citizens' rights and freedoms, a Chinese Foreign Ministry spokesman said Monday, rejecting a U.S. report that criticized China.

Spokesman Qin Gang made the remarks when asked to comment on a U.S. State Department report that criticized China's democracy- and human rights-status.

The Chinese government protects its citizens' basic rights and freedoms in accordance with law, Qin said, adding that the people-oriented approach has produced obvious results.

"The U.S. report ignores facts and gratuitously slams China's human rights, freedoms and democracy status," said Qin.

China rejects the allegations and urges the U.S. to focus on its own problems and stop interfering in China's internal affairs on the pretext of human rights, the spokesman said.

- Wu's Serbia trip of vital importance: Chinese ambassador (12<sup>th</sup> July)  
(Xinhua) -- The upcoming visit of Wu Bangguo, China's top legislator, to Serbia is of vital and far-reaching historical significance, Chinese ambassador to Serbia Wei Jinghua says.

Since the establishment of the China-Serbia strategic partnership in August 2009, the political, economic and cultural cooperation between the two countries has been fully developed, Wei told Xinhua during a recent interview.

Wei added that Wu's visit will push the two countries' bilateral ties to a higher level.

Wu will pay an official goodwill visit to Serbia from Wednesday to Friday at the invitation of Serbian Parliamentary Speaker Slavica Djukic-Dejanovic.

Wei said Wu is the highest-ranking Chinese official to visit Serbia since the two countries established their strategic partnership in 2009.

The visit will further consolidate their political mutual trust, deepen cooperation between their legislative institutions and boost their substantial cooperation in various fields, the ambassador said.

Wei said Wu will hold talks with Serbian leaders on bilateral ties, contacts between the legislative institutions of the two countries and other regional and international issues of common concern.

Wei said the two countries and the two peoples have shared a profound traditional friendship and the establishment of a strategic partnership symbolizing the entry into a new stage in the history of their bilateral relationship.

- Brzezinski "retraces" the Long March, stressing U.S.-China strategic dialogues (13<sup>th</sup> July)  
(Xinhua) -- The Long March and its legacy had contributed to shaping an extraordinary China, said former U.S. national security adviser Zbigniew Brzezinski, when he called upon the headquarter of China's Central Military Commission (CMC) in Beijing on Monday.

His meeting with senior Chinese military leader Xu Caihou started with the memory of the Long March which set Brzezinski in mind of his trip to retrace the Long March in 1981.

"I learned you had retraced China's Long March with your family before and your wife is a well-known sculptor," said Xu, who showed Brzezinski around the meeting hall where a set of stone carvings were placed portraying the Chinese Red Army and their epic Long March from 1934 to 1936.

"Currently China's modern construction and its reform cause are another new Long March, and to stick to a peaceful development road is China's long-term and strategic choice," said Xu, CMC Vice Chairman.

Brzezinski, who served under former U.S. President Jimmy Carter from 1977 to 1981, had retraced part of the route of the Long March with his family when visiting China in July of 1981.

After that China tour, he wrote an article for the Life Magazine titled "An American Family Retraces Mao's Long March", in which he said "For the emerging new China, the Long March is more than an epic of almost unmatched heroism. It is the reminder of the spirit of national unity essential to overcome the legacy of backwardness."

Looking around each of the stone carving with great interest, Brzezinski said the "incredible" and "superb" works had reminded him of his China visits over the years, in particular, the trip to review the Long March.

These experience helped me to better understand China and some of its historical events, said the 82-year-old strategist.

The Long March was a famous military maneuver carried out by the Chinese Red Army led by the Communist Party of China (CPC) to combat the Kuomintang Regime.

Though many soldiers died on the way of the two-year ordeal, the Red Army finally arrived at Yan'an in western Shaanxi Province after the 25,000-li (12,500-kilometer) trek, where the new headquarters of CPC was later established.

Brzezinski said all these historical events had helped to shape an extraordinary China.

In his two-hour-long meeting with Xu, Brzezinski stressed the United States and China should have all-round strategic dialogues and strengthen coordination and contact, and work for the peace and stability of the world.

Xu agreed the two sides should properly handle bilateral relations and international issues to their mutual benefit instead of as a zero-sum game.

"More than 30 years of China-U.S. relations have proved the two countries can co-exist peacefully and enjoy common development. China's development will expand cooperation between the two countries," Xu added.

Brzezinski is visiting China at the invitation of the Chinese International Institute for Strategic Society.

- Canada high on list for Chinese planning to travel, invest abroad (13<sup>th</sup> July)  
(Xinhua) -- Only a few weeks after finalizing its Approved Destination Status (ADS), Canada has already ranked the third most popular tourist destination among Chinese looking to travel abroad, according to a survey released Monday.  
In a telephone poll of 1,080 people living in Beijing, Shanghai and Guangzhou, the "Research Report on China's Outbound Tourism Market" found Australia the most desired destination of prospective Chinese travelers, followed by Singapore and Canada.



The report was conducted jointly by the Vancouver-based SUCCESS Foundation, EMR International and the Asia Pacific Foundation of Canada,

Japan ranked fourth, just ahead of the United States, South Korea and New Zealand. Europe (16 percent), currently the most popular Western destination with Chinese travelers after Asia (67 percent) according to the Chinese Tourism News Association, surprisingly ranked 11th on the list of 13 countries and regions. The Middle East was last with only about 2 percent showing interest in visiting the region.

Unlike Australia which has had ADS since 1999, Canada, which only had its status finalized late last month during Chinese President Hu Jintao's state visit to the country ahead of the G20 summit in Toronto, was a desired destination of about 13 percent of travelers. Last year, Canada received 160,833 Chinese visitors out of the 47.6 million who traveled abroad.

Historically, countries that have been granted ADS, a designation which allows Chinese tourists to visit in organized, pre-sold tourist groups, have experienced a 40-percent jump in Chinese visitors the first year, increasing to more than 50 percent after two years.

With China forecast to have 100 million outbound tourists by 2020, Yuen Pau Woo, head of the Asia Pacific Foundation, said Canada was uniquely positioned to capitalize on the increasing number of travelers because of the "deep and profound" relationship shared by the two countries.

Currently, Canada and China are marking the 40th anniversary of the establishment of their diplomatic relations.

"It is this unique connection that we have because of immigration, because of tourists, because of students, because of business ties, that puts Canada, I think, in a unique competitive position to build stronger relations with China. If we have more tourism traffic and Chinese visitors have a better understanding of Canada, in turn Canadians have a better understanding of China and Chinese visitors, suspicions go down, trust goes up," he said.

Other findings listed Canada as the most popular place for emigration among Beijingers, while Shanghai and Guangzhou residents both preferred Australia. Overall, Australia was the most popular destination for emigration among those polled, just ahead of Canada, the United States, Singapore, New Zealand and Hong Kong.

While America was the unanimous choice for studying abroad among all three cities polled, Canada ranked first (22 percent) as the favorite country or region for investment. The United States was second (18 percent), followed by Australia (13 percent).

Tung Chan, head of SUCCESS, a non-profit group which helps new immigrants start their lives in Canada, said Chinese investors liked the country for its political stability and that it was seen as a "comfort zone" for its large Chinese community numbering about 1.4 million people.

The survey also found Chinese perceived Canada as a place to lead a relaxed life with its beautiful scenery, fresh air, skiing and maple syrup. About 15 percent of respondents said they would like to travel to the country to ski, while another 15 percent wanted to go for the food and wine.

Last year was historic in terms of Chinese tourism as it was the first time in 30 years the country had a trade deficit. Chinese tourists spent more abroad than what foreign visitors spent in China.

- China, Argentina sign contracts with focus on transportation (13<sup>th</sup> July)

(Xinhua) -- China and Argentina Tuesday signed six contracts on bilateral cooperation in areas including railway technology, and electrification of rail lines.

Chinese Vice Premier Hui Liangyu and visiting Argentine President Cristina Fernandez de Kirchner witnessed the midday signing ceremony in Beijing when they were there to attend a China-Argentina business community luncheon.

According to the contracts, China will provide a export buyer's credit to Argentina on locomotive purchase.

The two countries will also cooperate in Argentina's construction of light rail system, subway building and electrification of rail lines.

Cristina Kirchner, invited by Chinese President Hu Jintao, is on her first state visit to China since she took office.

She was scheduled to hold talks with President Hu later Tuesday, and the two sides will expect to sign some other bilateral cooperative documents after the talks, according to sources with Chinese Foreign Ministry.

Apart from Beijing, Cristina Kirchner will also visit Chinese financial hub Shanghai. She will conclude the trip on July 15.

- China urges India to honor Tibet-related commitment (13<sup>th</sup> July)

(Xinhua) -- China on Tuesday urged India to honor its commitments and cautiously handle issues related to exiled Tibetans in India.

Foreign Ministry spokesman Qin Gang made the remarks in response to Indian Foreign Secretary Nirupama Rao's meeting with the Dalai Lama on Saturday at a regular news briefing.

China has made clear its stance on the issue to the Indian side, Qin told reporters.

"The Indian government has repeatedly acknowledged to China that it recognizes Tibet as part of China's territory and does not allow exiled Tibetans to conduct anti-China activities on the Indian territory," said Qin.

- China to bolster ties with Iceland: Vice President (13<sup>th</sup> July)

(Xinhua) -- China will expand cooperation and exchanges with Iceland as next year marks the 40th anniversary of bilateral diplomatic ties, Vice President Xi Jinping said Tuesday.

"Despite of the vast differences in geographic and domestic situations, there's no critical confrontation of interests between the two distant states," Xi told Iceland Foreign Minister Ossur Skarphedinsson in Beijing's Great Hall of the People.

China offered assistance and support within its capability to Iceland as it was encountering the impact of global financial crisis, which "indicated the importance China attached to bilateral ties and its tradition of being a friend in need," he said.

China insisted on a principle of equality between nations, no matter big or small, and Iceland adhered to the one-China policy, Xi said.

He hailed China-Iceland cooperation and exchanges in such sectors as fisheries, geothermal energy, hydropower, finance, education, science and technology, culture and tourism.

Skarphedinsson said China was one of a few states to offer help to his country when it suffered from economic difficulties.

He appreciated China's assistance and its practice of equality in its foreign affairs, including in relations with small nations like Iceland.

"China always treats Iceland on an equal footing. Not every big country does that," Skarphedinsson said at the beginning of the one-hour meeting.

He said Iceland would enhance cooperation with China in geothermal energy and fisheries.

- Chinese premier stresses closer cooperation with Ukrain (13<sup>th</sup> July)

(Xinhua) -- Chinese Premier Wen Jiabao said Tuesday that China is ready to further develop its relations with Ukraine.

Wen made the remark while meeting with Ukrainian Minister of Foreign Affairs Konstantyn Hryshchenko in Beijing.

Wen, who first met Hryshchenko four years ago, called him an old friend of the Chinese people, saying Hryshchenko had done much to advance friendship and cooperation between China and Ukraine.

Wen said the people of China and Ukraine shared a long tradition of deep friendship. Since the two countries established diplomatic links 18 years ago, they had always shown mutual understanding and respect for each other's core interests and major concerns.

Wen said China-Ukraine relations faced new opportunities for development. He called for both sides to strengthen high-level contacts, deepen cooperation on trade, economy, science, technology, agriculture, culture and people-to-people exchanges.

Hryshchenko said Ukraine attached strategic importance to its relations with China, regarding the links as a priority of its foreign policy. He expressed readiness to work with China to deepen cooperation so as to benefit the peoples of both countries.

Since Viktor Yanukovich became president of Ukraine in February, the Ukrainian government had shown a strong will to expand cooperation with China.

Chinese President Hu Jintao and President Yanukovich met in Washington in April, agreeing to increase high-level exchanges, build political mutual trust and boost pragmatic cooperation.

Hryshchenko also held talks with Chinese Foreign Minister Yang Jiechi Tuesday. They exchanged views on bilateral links and major regional and international issues.

- China hopes for continued stable relations with Japan (13<sup>th</sup> July)

(Xinhua) -- A Chinese Foreign Ministry spokesman said Tuesday that China hoped its strategic relationship with Japan would continue its stable development after Japan's ruling party suffered a setback in Upper House elections.

"The Upper House election is a domestic affair of Japan and China is not in the position to comment," said spokesman Qin Gang at a regular press briefing.

Nevertheless, Qin said he hoped the China-Japan strategic relationship of reciprocity would maintain a stable and continuous development.

Japan's ruling Democratic Party lost its majority in upper house elections on Sunday.

- Trade, economic issues to top Merkel's China visit agenda: experts (13<sup>th</sup> July)

(Xinhua) - Trade and economic issues are expected to dominate German Chancellor Angela Merkel's upcoming China visit at a time when Europe is battling economic and widening sovereign debt crises, say experts.

"Against the backdrop of the global economic downturn and the eurozone sovereign debt crisis, Germany naturally wants more cooperation with China to weather the crises," said Feng Zhongping, director of European Studies at the China Institute of Contemporary International Relations.

Feng expected the visit, from July 15 to 18, to bring new cooperation opportunities to the two sides.

"China is vigorously seeking progress in the green economy, energy conservation and emission reduction and Germany is technologically advanced in these fields," he said.

"The two sides could enhance dialogue, launch pilot projects and set up technology transfer systems between enterprises to tap potential and foster new growth points of bilateral cooperation." Mei Zhaorong, former Chinese ambassador to Germany, said trade and economic ties had always featured heavily in Germany-China relations. "They have, in fact, been the highlights of the bilateral ties."

China is Germany's biggest trade partner in Asia, while Germany is China's leading trading partner in Europe. Last year, despite the economic downturn, bilateral trade

topped 105.73 billion U.S. dollars, accounting for more than a quarter of the total China-Europe trade volume.

Since Premier Wen Jiabao's Europe tour early last year, China has sent two trade and investment delegations to Germany. China hosts more than 3,800 German-funded businesses in major sectors, including environment protection, transport, chemicals, healthcare, auto and services.

Mei believed Merkel would discuss issues including global economic and financial development, promotion of world growth, opposition to trade protectionism as well as bilateral trade and economic cooperation.

- China calls for early resumption of six-party talks (13<sup>th</sup> July)

(Xinhua) -- China said on Tuesday it would work with other parties involved to resume the six-party talks at an early date and move the process forward.

"China has always regarded six-party talks as a realistic and effective tool to realize denuclearization of the Korean Peninsula, and peace and stability in Northeast Asia," Foreign Ministry spokesman Qin Gang told a regular news briefing.

The Six-Party Talks, which were launched in 2003 and involve China, the Democratic People's Republic of Korea (DPRK), the United States, the Republic of Korea (ROK), Russia and Japan, have been stalled since December 2008.

After the UN Security Council on Friday adopted a presidential statement on the Cheonan warship sinking incident that killed 46 sailors, China urged the involved parties to "flip over the page" and restart the six-party talks on the Korean Peninsula nuclear issue as soon as possible.

Seoul said after completing an investigation that the warship was torpedoed by the DPRK, but Pyongyang has denied its involvement in the incident.

The Security Council statement noted the findings of the joint investigation submitted by the ROK and the DPRK's declaration that it had nothing to do with the incident.

The statement encouraged the settlement of the outstanding issues on the Korean Peninsula by peaceful means and the resumption of direct dialogue and negotiations between the DPRK and the ROK.

China hopes all sides could strengthen mutual trust, bridge differences and improve relations to maintain peace and stability of the peninsula, said Qin.

He called for all parties to take advantage of the UN presidential statement to advance dialogue and negotiation for the ultimate denuclearization of the Korean Peninsula and peace and stability of the region.

"A war of words and military means can't fundamentally solve problems," Qin said, urging all parties to take moves that contributed to easing the situation and preserving the interests of the region.

- China seeks to advance military ties with Singapore (13<sup>th</sup> July)

(Xinhua) -- China Tuesday pledged to continue to promote the development of military relations with Singapore.

Chinese Defense Minister Liang Guanglie made the remarks when meeting with Chiang Chie Foo, visiting Permanent Secretary of the Singaporean Defense Ministry.

Recent years had witnessed a rapid development of China-Singapore relations, with political mutual trust, a reciprocal and mutually beneficial economic relationship and fruitful cooperation, Liang said.

Bilateral military ties had undergone a healthy development, with sound exchanges and cooperation mechanisms, frequent high-level visits and good cooperation in personnel training, joint military training and escort missions, Liang said.

China was willing to work with Singapore to continuously boost relations between the two countries and armed forces, so as to play an active role in jointly safeguarding regional security and stability, he said.

Chiang said Singapore attached great importance to the development of its relations with China.

The two armed forces were expected to maintain exchanges and cooperation and to strengthen understanding and mutual trust, he said.

Ma Xiaotian, deputy chief of general staff of the Chinese People's Liberation Army, and Chiang co-chaired the third China-Singapore defense policy dialogue before the meeting.

Both sides exchanged views in-depth on regional security, relations of the two countries and armed forces as well as other issues of common concern and reached consensus on further strengthening military ties.

They agreed to continue to enhance China-Singapore military cooperation and promote the development of friendly and cooperative military relations.

The two nations held the first defense policy dialogue in January 2008 in China and the second in March 2009 in Singapore.

- Ecuador, China sign cooperation agreement (14<sup>th</sup> July)

(Xinhua) -- Ecuador and China have signed an agreement of cooperation with a potential investment of 1 billion U.S. dollars, the Ecuadorian presidential office said on Wednesday.

The agreement was signed here by Ecuador's National Secretary of Planning and Development (Senplades) and the Chinese company CAMC Engineering.

The projects will involve areas of grain storage, power generation and water conservancy projects, the office said in a statement.

Mateo Villalba, assistant secretary of Public Investment of Senplades, said the agreement favored the Ecuadorian manpower as the Chinese company had pledged to train local employees of the projects.

Villalba said the water conservancy project, when completed, would not only control floods in Vinces, Babahoyo and Guayaquil zones, but also improve farmland irrigation facilities in Los Rios province.

According to Alberto Briones, general manager of CAMC Engineering's Ecuador Branch, the signing of the agreement is just the beginning of cooperation between the Chinese company and the Ecuadorian government.

- China offers Argentina nuclear power technology (15<sup>th</sup> July)

Argentine President Cristina Fernandez was received in Beijing on Wednesday by Chinese Prime Minister Wen Jiabao as Beijing offered to provide advanced technology for Argentina's planned fourth nuclear power plant. Before the talks with Wen, Fernandez told reporters that she felt very satisfied with her meetings with Chinese President Hu Jintao and other senior officials.

After meeting Communist Party Politburo member Zhou Yongkang, Fernandez said that "everything is going very well" and the accords reached would benefit both countries "since we complement one another".

"Argentina is not only important in and of itself, but also as a springboard for Latin America," she emphasised.

On Tuesday, Argentine Planning Minister Julio de Vido and the president of China National Nuclear Corp. (CNNC), Mao Xiaoming, agreed to an exchange of visits given the interest of the CNNC in becoming a possible provider of technology for Argentina's next nuclear power plant.

Companies from Canada, South Korea, Russia, Japan and France have expressed an interest in bidding on the project in Argentina.

The decision will be made in the first half of 2011, Planning Ministry spokesman Horacio Mizrahi told *EFE*.

China has 11 nuclear reactors in coastal areas and forecasts that it will increase this figure to 100 over the next 20 years, "equalling the current level of the United States", to respond to the energy demands expected to be posed by its continuing industrialisation.

The deal being worked on with Argentina represents about \$3 billion for a country that gets 6.8 per cent of its electricity from nuclear power and which the Fernandez administration wants to raise to 21.1 per cent by 2025.

In the joint declaration signed on Tuesday, Presidents Fernandez and Hu agreed on the need to promote the growth and diversification of bilateral trade "paying special attention to broadening the exchange of products of greater value added and technological complexity".

<http://www.hindustantimes.com/China-offers-Argentina-nuclear-power-technology/Article1-572592.aspx>

- China, Serbia to add impetus to traditional friendship (15<sup>th</sup> July)

(Xinhua) -- Top Chinese legislator Wu Bangguo on Wednesday met with Serbian President Boris Tadic, vowing to add new impetus to the traditional friendship between China and Serbia.

"I am here to help realize the consensus between the two heads of states, pushing forward our strategic partnership and traditional friendship," said Wu, chairman of the Standing Committee of the National People's Congress (NPC), who arrived here on Wednesday afternoon for a three-day visit.

Wu is the first NPC Standing Committee chairman to visit Serbia over the past decade. China and Serbia have kept long-time friendship, and shared mutual support and respect. Last August President Tadic visited China and reached agreement with Chinese President Hu Jintao on establishing the strategic partnership, which opened a new page for the relationship.

Wu said Sino-Serbian relations are time-tested and have endured many changes in the international situation. He attributed this to the mutual support between the two countries on issues concerning the core interests of one another.

"This precious legacy should be cherished by both peoples, and will serve as a fundamental guarantee of the further development of Sino-Serbian ties," Wu said.

On trade relations, Wu stressed China and Serbia should strengthen cooperation on infrastructure construction and investment.

Tadic said developing relations with China is one of Serbia's diplomatic priorities, and that his government would like to strengthen exchanges with China in all areas and at all levels. The two sides should maintain coordination in the United Nations and other international organizations, he added.

The Serbian leader also expressed appreciation of China's support on the Kosovo issue, and reaffirmed that Serbia will firmly adhere to the one-China policy.

On Wednesday afternoon, Wu also held talks with Serbian Parliamentary Speaker Slavica Djukic-Dejanovic.

Wu said the NPC values its relations with the Serbian parliament. He suggested the two legislatures enhance exchanges between special committees and friendship groups, encourage contacts between young legislators, and strengthen coordination in the international parliamentary organizations.

Djukic-Dejanovic said furthering relations with China has long been the aspiration of all Serbian parties, and the Serbian parliament supports the government's decision to push forward cooperation with China, and will promote exchanges with the NPC.

Six documents on cultural and trade cooperation were signed after the talks. Wu also attended late Wednesday the groundbreaking ceremony of a bridge to be built in Belgrade with Chinese assistance.

- Merkel visit expected to boost Sino-German relations (15<sup>th</sup> July)

(Xinhua) -- German Chancellor Angela Merkel is to start a four-day visit to China on Thursday, a move widely expected to boost the countries' bilateral economic ties and political interactions.



The fourth visit of Merkel to China since she took office in 2005 is part of the high-level interactions boosting the bilateral ties.

Chinese President Hu Jintao and Merkel met at the nuclear security summit in April in Washington, followed by a state visit of German President Horst Koehler to China a month later. Leaders of the two countries also discuss world affairs through hot-lines.

Further boosting bilateral relations between China and Germany is in the interests of both countries, especially in trade and economy.

Germany's total exports dropped 18 percent last year due to the global economic slump, while its exports to China climbed 7 percent, the German newspaper Frankfurter Allgemeine Zeitung reported.

Sino-German relations have been increasingly important under the new, post-crisis situation, the newspaper said.

Bilateral trade last year hit 105.73 billion U.S. dollars despite the global downturn, accounting for more than a quarter of the total China-Europe trade.

German officials have said that a large troupe of German businessmen, from sectors such as energy, automobile, finance and retail, are among the members of the delegation led by Merkel, suggesting that trade and economic issues will top the agenda of the visit.

A series of cooperation agreements will be also signed.

The strong economic ties will also help the global economy at a time when the world's economic recovery is still fragile.

China is pursuing a path of green growth by advocating energy saving and emission reduction, where Germany has a technological advantage. Analysts believe this can create opportunities if the two sides make joint efforts to promote research and development of renewable energy and set up a mutually beneficial technology transfer system.

German public awareness of China is also on a positive track, as more and more people, from lawmakers to workers, realize Germany needs better cooperation with China.

"We must learn to understand China, its great culture and huge potential," Merkel has said.

The global financial crisis and Europe's debt crisis has not reduced trade and investment between Germany and China, and China has become one of Germany's most important trading partners, said Wolfgang Roehr, who heads a Germany-China task group at Germany's Foreign Ministry.

In the post-crisis context, China and Germany should strengthen their exchanges and cooperation on a wide range of global challenges such as climate change, global financial reform and nuclear security.

- China calls for restraint as U.S., ROK plan military drill (15<sup>th</sup> July)

(Xinhua) -- China on Thursday called for calm and restraint to avoid escalating tensions on the Korean Peninsula in response to a possible naval drill by the United States and the Republic of Korea (ROK).

Foreign Ministry spokesman Qin Gang made the remarks at a regular news briefing, saying China hoped the actions of all parties would contribute to the security, mutual trust, friendship, peace and stability of the region.

Qin reiterated China's opposition to foreign warships or aircraft entering the Yellow Sea area and adjacent waters to engage in activities that would affect its security and interests.

In answer to a question on whether China and the Democratic People's Republic of Korea (DPRK) would plan a military exercise if the ROK and the U.S. carried out their drill this month, Qin called the hypothesis "a typical Cold War mindset."

"The hypothesis means dividing the Northeast Asia and Asia-Pacific regions into different military alliances and viewing regional security from an angle of opposition and confrontation, as in the Cold War era," said Qin.

"Times have changed," said Qin. "No single country or military alliance can resolve issues like regional security and stability."

All countries in the region needed to work together, and strengthen mutual trust and cooperation through dialogue, so as to maintain regional security and stability, Qin said.

The anti-submarine drills were originally scheduled for last month in a response to the sinking of the ROK navy vessel, Cheonan, which left 46 crew dead, in March.

The ROK announced in May that the warship was torpedoed by a submarine of the Democratic People's Republic of Korea (DPRK), but the DPRK immediately denied involvement, saying the investigation results were fabricated.

Seoul's Ministry of Defense confirmed Thursday the joint South Korea-U.S. joint naval drill was expected to be staged this month, starting in waters off the country's east coast.

According to the ministry, the exact date of the drill will be decided next week when defense and foreign ministers of the two countries meet in Seoul at so-called "two-plus-two" security talks.

U.S. Secretary of State Hillary Clinton and Defense Secretary Robert Gates will visit Seoul next week to discuss the bilateral alliance.

- ASEAN, China relations develop strongly, comprehensively: expert (15<sup>th</sup> July) (Xinhua) -- A Vietnamese expert on China said here on Thursday that the relationship between the Association of Southeast Asian Nations (ASEAN) and China is developing strongly and comprehensively.

The ASEAN-China relations are developing fast in all areas ranging from politics, economy, culture and education to defense and security, said Do Tien Sam, Director of the Institute of Chinese Studies under the Vietnam Academy of Social Sciences in an exclusive interview with Xinhua here on Thursday.

Trade and investment between ASEAN and China are increasing, said Sam.

Same said that the ASEAN-China Free Trade Area (FTA) agreement officially took effect in the beginning of this year. It has promoted trade between the two sides in the context that both ASEAN and China experienced export decreases to major markets like the United States and European Union countries.

The establishment of the free trade area will help ASEAN and China reduce their dependence on the economies of the United States, Japan and Western European countries, according to Sam.

The expert said that the FTA brings both opportunities and challenges to companies operating within the area. ASEAN companies should turn challenges into opportunities, actively upgrade the technology and enhance the management capacity to improve the quality of products.

ASEAN countries should make more efforts in tapping the Chinese market with large number of consumers and huge demands, said Sam. China, with a population of about 1.3 billion, is an ideal place for companies of ASEAN members to do business.

The FTA is expected to create a win-win situation for both ASEAN and China, he said. Besides economic cooperation, the relationship between ASEAN and China in the political area is deepening, Sam said.

ASEAN and China's mutual understanding and trust have been enhanced during the recent times. The two sides have maintained frequent exchanges of visit of high-level officials. Ministries and agencies of ASEAN members and China are boosting their collaboration, according to the expert.

Cooperation among non-state organizations from both sides such as youth organizations and professional associations has been intensified, contributing to the increase of mutual understanding of people from ASEAN countries and China.

Moreover, ASEAN countries and China possess many cultural similarities, making it easy for both sides to boost cultural exchanges, said Sam.

In the future, Sam expressed his expectation that ASEAN and China will strive to make the region become a new impetus for the development of the Asia-Pacific, making great contributions to the world development.

- Chinese president meets German Chancellor (16<sup>th</sup> July)

(Xinhua) -- Chinese President Hu Jintao said Friday the frequent high-level meetings between China and Germany demonstrate the strength of the bilateral relationship.

Hu made the remarks when meeting with visiting German Chancellor Angela Merkel.

Hu said he had met with Merkel three times since April, including a meeting at the Nuclear Security Summit in Washington.

"Your visit, very shortly after our three meetings, fully demonstrates the sound momentum of bilateral relations," said Hu.

China and Germany relations had developed smoothly with the concerted efforts of both sides, enjoying productive cooperation, rich cultural exchanges and coordination in regional and international affairs, said Hu.

China and Germany issued a joint communiqué to promote the strategic partnership during Merkel's visit.

"This is strategic policy-making by the two sides, which will surely have far reaching significance and bring new opportunities for bilateral ties," said Hu.

Hu said China was willing to work with Germany to strengthen political mutual trust, trade cooperation and cultural exchanges in accordance with the direction set in the joint communiqué.

China and Germany would also cooperate within multilateral frameworks, counter global challenges so as to advance the relationship and contribute to world peace and common development, Hu said.

Merkel said she was pleased to meet with Hu on many occasions and exchange views on major issues.

She said Germany and China had cooperated well in tackling the global financial crisis, resulting in a closer relationship and international recovery and healthy development.

"China, with rapid economic growth, is a major partner of Germany and Europe," said Merkel, thanking China for its support in helping EU efforts to stabilize the euro.

Earlier Friday, Chinese Premier Wen Jiabao held talks with Merkel in the Great Hall of People in Beijing.

At the invitation of Wen, Merkel is paying her fourth visit to China. After meetings with Chinese leaders, she will fly to Xi'an in northwest China's Shaanxi Province later Friday.

- China, Qatar to advance military cooperation (16<sup>th</sup> July)  
(Xinhua) -- China and Qatar senior military officials in talks in Beijing Friday agreed to advance military cooperation.  
China appreciated Qatar's positive role in regional and international affairs, and hoped to strengthen coordination with Qatar, said Chen Bingde, Chief of the General Staff of the People's Liberation Army (PLA) of China.  
Chinese military forces were keen to further ties with Qatar for multi-level,extensive cooperation, Chen told Hamad Bin Ali Al-Attiya, visiting Chief of the General Staff of Qatar's armed forces.  
Attiya said the two nations had enjoyed increased political,trade and military exchanges since forging diplomatic relations in 1988. He believed his visit would deepen friendly relations and expand military cooperation.  
Attiya arrived in China Wednesday at the invitation of Chen.

## **Economic front**

- China's forex reserves growth slows in Q2, total reaching \$2.45 trillion (11<sup>th</sup> July)  
(Xinhua) -- Growth of China's foreign exchange reserves are slowing as the total reached 2.4543 trillion U.S. dollars by the end of June, up 15.1 percent year on year, the People's Bank of China (PBOC), the central bank, announced on Sunday.  
Statistics from the central bank show China's foreign exchange reserves increased by 7.2 billion U.S. dollars in the second quarter, a drastic decrease compared to the last quarter in 2009, when reserves grew by 126.5 billion U.S. dollars.  
Reserves in the first quarter increased by 47.9 billion U.S. dollars.  
The PBOC also said the declining euro was the major reason behind the slowing growth in foreign exchange reserves.  
The exchange rate between the euro and U.S. dollar had fallen by nearly 20 percent between the end of 2009 and May this year, according to the PBOC.  
China's basket of foreign exchange reserves include the U.S. dollar, euro, Japanese yen and others.  
On a monthly basis, reserves increased by 43.4 billion U.S. dollars in April followed by a reduction of 51 billion U.S. dollars in May, while June saw reserves increase by 14.8 billion U.S. dollars.  
China's gold reserves stood at 33.89 million ounces at the end of June, according to PBOC figures.

- China's welfare lottery sales over 23 years nearly reaches \$66 bln (11<sup>th</sup> July)  
(Xinhua) -- The value of welfare lottery sales in China as of the end of this May had reached almost 450 billion yuan (66 billion U.S. dollars), since the welfare program was first launched 23 years ago, helping to raise about 149 million yuan for the public welfare fund, an official from lottery administration agency said Sunday.

The public welfare fund has been used to build and expand more than 150,000 welfare facilities, including social welfare institutes, homes for the elderly in rural areas, sheltering centers for homeless minors and schools for orphans, said Bao Xuequan, director of the Welfare Lottery Distribution and Management Center at a two-day international forum on the reform and development of the social welfare service, held in Beijing on Saturday and Sunday.

The fund has been used in helping AIDS orphans, disaster survivors and the disabled, as well as for providing social medical aids, humanitarian assistance and legal assistance to people in need, Bao said.

China's welfare lottery started in 1987, when the Civil Affairs Ministry was authorized by the State Council, the Cabinet, to raise welfare funds through lottery sales.

Many welfare lotteries have since been established such as spot lottery, lotto and keno -- directly employing about 300,000 employees.

"The sale of welfare lottery was the guarantee for the country's social welfare development, employment and economic advancement," Bao said.

- China unveils first sovereign credit rating report (11<sup>th</sup> July)

(Xinhua) -- A Chinese company on Sunday unveiled China's own sovereign credit rating report, for the first time evaluating 50 countries and becoming the first non-Western rating agency to assess the world's sovereign credit and risks.

The report by Dagong Global Credit Rating Co., Ltd., the first domestic rating agency in China, was released at a time when many complain the Moody's Investors Service, Standard & Poors and Fitch Ratings were partly to blame for the recent global financial crisis as well as Greece's debt woes.

Dagong's report covered 50 countries whose gross domestic product (GDP) accounts for 90 percent of the world's total economy, and gave markedly different valuations to 27 countries compared with those given by Western rating rivals Moody's, Standard & Poors and Fitch.

For instance, Brazil and other emerging economies were rated higher by the Chinese firm, citing political stability and strong economic growth.

At the same time, the United States, France and other developed nations were rated much lower in Dagong's report due to their slow economic growth and increasing debt burden.

Guan Jianzhong, chairman of Dagong, said during a press conference in Beijing to introduce China's first sovereign credit rating report, that the current Western-led rating system "provides incorrect credit-rating information" and fails to reflect changing debt-repayment abilities.

"We want to make realistic and fair ratings and mark a new beginning for reforming the irrational international rating system," Guan said.

Dagong said it rated the 50 countries according to its own credit rating standards for the sovereign entity of a central government, which include "the ability to govern a country, economic power, financial ability, fiscal status and foreign reserve".

In the report, Dagong rated U.S. government debt AA with a negative outlook, which was lower than the firm's top AAA rating. It warned that Washington, along with Britain, France and other countries, might have trouble raising more money if they let fiscal risks get out of control.

"The interest rate on debt instruments will go up rapidly and the default risk of these countries will grow even larger," the report said.

Dagong gave China's yuan-denominated debt an "AA-plus" rating with a stable outlook -- higher than Moody's "A1" and S&P's "A-plus" -- due to its rapid growth and relatively low debt. China's foreign currency rating was "AAA" in Dagong's report.

In terms of domestic currency-denominated debt, Norway, Denmark, Luxemburg, Switzerland, Singapore, Australia and New Zealand received the top rating of AAA. Canada, the Netherlands and Germany received "AA-plus" rating.

Japan received an "AA-minus" rating, according to Dagong's report.

Dagong said it hopes to "break the monopoly" of Moody's, Standard & Poors and Fitch, whose reputation was tainted by their high ratings to mortgage-related investments that led to the global financial crisis.

Wu Hong, who led a task force to study credit rating and national security in China, said it has become a trend for other countries to set up their own credit rating agencies and reject the currently unfair international rating system controlled by Western companies.

"This means a historic opportunity for China to participate in making the new rules of international ratings," Wu said, adding China still has a long way to go to increase its own influence in the credit rating system.

Also, Western rating agencies fail to give China full credit for its economic strength, thus boosting China's borrowing costs, Wu noted.

The National Association of Financial Market Institutional Investors is also considering setting up another rating company with China's commercial banks and insurance companies.

Founded in 1994, privately owned Datong provides credit rating and risk analysis research for all bond issuers in China, with more than 500 employees.

It also designs most domestic debt instruments and leads the Chinese credit rating market in corporate bonds, financial bonds and structured financing bonds.

- June exports hit record high (12<sup>th</sup> July)

(Xinhuanet) -- China's exports for June hit a record high since July 2008 and the trade surplus also surged to the highest this year, but economists insisted such strong momentum cannot be sustained and there is little possibility that the yuan will gain by large margins, as widely expected worldwide.

Customs said on its website that China's shipment of exports last month grew by 43.9 percent from the previous year to 137.4 billion U.S. dollars and imports rose by 34.1 percent to 117.4 billion U.S. dollars, which led to a 20 billion dollars trade surplus, another record high.

Both the trade surplus and the exports are at their highest level in two years, compared with 136.68 billion dollars in July 2008, according to Customs.

"There are reasons for the fast growth in exports in June, but the prospects are unhopeful in the second half of the year given a series of factors, including the European debt crisis, gradual appreciation of the yuan and rising costs for raw materials and labor," said Huo Jianguo, director of the Chinese Academy of International Trade and Economic Cooperation, which is affiliated with the Ministry of Commerce.

In late June, the Chinese government announced it would remove tax rebates on a variety of goods for the export market, including steel products, which is due to take effect on July 15.

With the looming policy change, a number of exporters accelerated the rate of their shipments, which has resulted in stronger-than-expected exports, said Zhu Jianfang, chief economist at CITIC Securities.

During the first six months, the export of steel products more than doubled from the previous year to 23.6 million tons, Customs said. The specific figures for June were unavailable.

The increased trade surplus and high level of exports, once again, sparked criticism from some quarters in the US, which added pressure on the Chinese government to allow the yuan to rise further.

Last Friday, the US launched its Semi-Annual Report on International Economic and Exchange Rate Policies, which did not label China as a currency manipulator, though the report insisted that the yuan was "undervalued".

Chinese economists disagree. "I do not foresee either a sharp rise or a big fall in China's trade surplus for the rest of the year. Due to the continuing effects of the global economic crisis and China's policy changes, trade will remain balanced. So the possibility or necessity of allowing the yuan to rise rapidly remains remote," said Li Daokui, a professor at Tsinghua University as well as a member of the Chinese central bank's monetary policy committee.

Over the past three weeks, the yuan gained by 0.8 percent. US lawmakers claimed the yuan was still undervalued and called on the Obama Administration to raise the issue with the World Trade Organization.

"The pressure will continue for months until the mid-term election campaigns in the US. The US argument about the yuan does not make any sense, as foreign exchange reform does not mean a large rise in appreciation," said Zhou Shijian, a senior economist at the Center for China-US Relations, Tsinghua University.

From January to June, China's imports and exports grew by 43.1 percent year on year to 1.35 trillion dollars, which prompted Customs to say that trade "has recovered to pre-crisis levels".

Exports to the US and European Union in June surged by over 40 percent for the second month, while exports to Russia climbed by 84 percent. Brazil rose in rank to become one of China's top 10 trade partners and exports to Brazil grew by 125 percent in June.

Imports showed a more moderate rate of growth for the third month, with iron ore and copper imports falling, while imports of net crude oil increased to 22.14 million metric tons.

(Source: China Daily)

- Shifting gears for a balanced economy (12<sup>th</sup> July)

(Xinhuanet) -- A sharp decline in the trade surplus during the first half of 2010 indicates that China, the world's fastest-growing major economy, has significantly lifted domestic demand to drive double-digit economic growth.

Such a decisive shift away from its decades-old reliance on exports for growth has so far been less painful than expected.

But it is no cause for optimism as increasing pressure to revalue the Chinese currency still threatens to derail the growth story.

China's trade surplus fell by 42.5 percent in the first six months, compared to a year earlier, to hit 55.3 billion U.S. dollars.

Such a drop in net exports will drag down China's growth if domestic demand cannot expand fast enough to pick up the slack.

At a time when global economic recovery looks very fragile, no country can benefit from a slowdown in the Chinese economy, which has propelled the world out of the worst global financial crisis in over half a century.

However, despite China's contribution to increasing global demand by pursuing balanced trade, some critics have pointed to the trade surplus surge seen in June to blame the nation for keeping the yuan undervalued.

As China's foreign trade has managed to get back to pre-crisis levels, the country's monthly trade surplus in June widened to 20 billion dollars, the highest this year.

Yet, reading too much into June's trade surplus risks missing the broader picture - which is that China's foreign trade jumped by 43.1 percent year-on-year to 1.35 trillion dollars while its trade surplus narrowed by more than 40 percent in the first half.

By achieving such a balanced trade growth without choking overall economic momentum, China is now moving steadily to change its growth model.

That should be a boon, not a matter for blame, to the world economy.

(Source: China Daily)

- Chinese retailers battle for market share (12<sup>th</sup> July)

(Xinhuanet) -- Tesco, one of the world's largest retailers, told the Global Times Sunday that the company expects to open 23 stores in China this year, a move to compete with perennial giants Carrefour and Wal-Mart.

"The new stores will be mainly located in satellites cities around the megalopolises that already have our branches," said Li Jia, public relations manager with Tesco China, adding city population is an important consideration to open stores.

David Hobbs, Tesco China's newly-appointed chief operations officer, said Friday that the company will beef up investment in China with the hopes of becoming the industry leader.

Currently, Tesco has 81 stores on the Chinese mainland, mostly in or around Beijing, Shanghai and Guangzhou. Last year, the British retailer opened 17 stores in China. But the other heavyweights are not sitting on the sidelines. Wal-Mart opened 55 stores in the country last year to take the lead over Carrefour with a total of 178 stores.

"Our next step is to move into more third-tier cities," said Lv Zhiping, property manager from Wal-Mart, in June.

Carrefour, however, has taken a step backwards. This month the French chain will close its only Xi'an outlet.

This marks the first time for Carrefour to shut down a location in China since it started rapid expansion in 2005. Carrefour has been backpedaling in other markets as well. The firm has completely pulled out of South Korea, Russia, and Japan.

But the China market is too big to leave. In the first half of this year, Carrefour opened eight stores, to bring the total to 156. Chen Bo, Carrefour China's director for public relations, said the close is due to business adjustment, and "this will not impact our



development strategy in China," adding the company plans to open 20 to 25 stores in China this year.

(Source: Globaltimes.cn)

- China's steel output in 2010 may hit new high: Minister (12<sup>th</sup> July)

(Xinhua) - China's steel output in 2010 might hit a new high of 620 to 630 million tonnes, a 10 percent increase year on year, Minister of Industry and Information Technology Li Yizhong forecast at a forum Monday.

China's steel output reached 269 million tones in the first five months of this year, up by 23.8 percent year on year, Li said on Monday at the National Steel Industry Forum held in Dalian city of northeast China's Liaoning Province.

From January to May this year, China's fixed asset investment in its steel industry grew by 13.8 percent year on year to stand at 135.6 billion yuan (20 billion U.S. dollars), Li said.

Also, steel output is expected to be continually increased due to newly built steel projects, he said.

China, however, will not approve any new steel construction before the end of 2011, as the growing steel production capacity makes it more difficult for the country to save energy and reduce emissions, Li added.

- Ministry says tightening measures on housing market will continue in China (12<sup>th</sup> July)

(Xinhua) -- The State Council's policies to rein in rapidly soaring housing prices in cities will continue and local governments should implement them "unswervingly", according to a statement released Monday from the Ministry of Housing and Urban-Rural Development, while also denying some media reports on a possible policy withdrawal.

"We will urge local governments to make sure that they strictly implement the differentiated housing loans policy to crack down on housing speculations," the ministry said in a brief statement posted on its website.

The ministry added it would adopt "positive" measures to increase the supply of commercial homes in the market, speed up construction of housing for low-income residents and renovation of shantytowns, and strengthen supervision of the real estate market conditions.

The statement came shortly after the National Bureau of Statistics (NBS) released its latest figures on housing prices in Chinese cities.

Housing prices in major Chinese cities rose 11.4 percent year on year in June, one percentage point lower than the increase in May, according to NBS statistics.

This was the second consecutive month that China's property prices grew at a slower pace. Property prices in the 70 large- and medium-sized cities grew 12.4 percent year on year in May, 0.4 percentage point lower than in April.

The State Council, China's Cabinet, introduced a series of tightening measures in April to rein in soaring house prices and curb speculation, including tightened scrutiny of developers' financing, suspension of loans for third-home purchases and higher down-payment requirements for second-home purchases.

Housing prices almost doubled in some popular Chinese cities such as Beijing and Shanghai in 2009, prompting the Chinese government to take measures to curb these excessive hikes.

- China's textile firms may face bankruptcy on yuan appreciation: newspaper (13<sup>th</sup> July)

(Xinhua) -- Half of China's textile firms may risk going bankrupt if the value of the Chinese currency yuan rises 5 percent against the U.S. dollar given the industry's thin profit margins.

Profit margins for the country's textile companies stands at 3 to 5 percent, which has been squeezed by the the appreciation of the yuan, rising raw material and labor costs, Tuesday's China Daily quoted Gao Yong, vice-president of China National Textile and Apparel Council, as saying.

The government conducted a yuan stress test in March, which showed profit margins of labor-intensive textile companies would drop by 1 percentage points if the yuan appreciates by 1 percent, according to the newspaper.

A large upward revaluation of the yuan could cost millions of jobs, said the newspaper, cited a source from the Ministry of Commerce by saying that currently, more than 20 million people are directly employed in China's textile industry, while a further 140 milion are involved in cotton farming.

The yuan rose 21 percent against the US dollar from 2005 to 2008, which has helped push up prices of Chinese textile products, thus the price advantage of Made-in-China textiles has almost vanished compared with products from Vietnam, Indonesia and other Southeast Asia countries, said Zhang Bin, an analyst at Sinolink Securities.

"Since Chinese textile companies are facing rising labor costs after labor discontent at Foxconn, further appreciation of the yuan will make the situation even worse," said Zhang.

- China to crack down on price rigging, heavy fines to be handed out (13<sup>th</sup> July)

(Xinhua) -- China will fine individuals and companies up to 2 million yuan (295,000 U.S. dollars) for circulating misleading or false information about price hikes, the country's top economic planner disclosed here Tuesday.

The announcement by the National Development and Reform Commission (NDRC), the top economic planning agency, was part of efforts by the NDRC to curb price manipulation and profiteering in the country.

The suggested punishment measures to combat commodity hoarding and forcing up prices are now open to public debate until Aug. 13, after which it will be submitted to China's top legislature for a legislative reading, the NDRC said in an announcement on its website.

In case of serious offences, those who break the price regulations will lose their business licenses and be subject to confiscation of their illegal gains and receive fines up to five times their illegal gains, the NDRC said.

The NDRC further said it believed the price regulations would be helpful to handle the inflationary expectation and stabilize price levels.

Earlier this month, the NDRC set up two offices dedicated to control monopolistic behavior and curb market manipulation while it fined a number of farm produce traders in northeast China for conspiring to push prices higher.

The hoarding of goods was mainly to blame for skyrocketing prices of garlic, mung bean and other farm products this year, jeopardizing the Chinese government's goal to keep the annual consumer price inflation at 3 percent in 2010.

China reported a 3.1 percent consumer price index year-on-year increase in May, exceeding the government's CPI growth target for the first time this year.

Last month the NDRC projected that China's CPI rate would be around 2.6 percent in the first half of this year. The National Bureau of Statistics has yet to announce the CPI data expected to be released this week.

- China's Q2 economic growth likely to slow to 10.6%: economist (13<sup>th</sup> July)

Xinhua) -- China's economic growth is likely to slow to 10.6 percent in the second quarter as the effects of the government's massive stimulus package weaken, analysts are forecasting.

Pei Changhong, head of the Institute of Finance and Trade Economics of the Chinese Academy of Social Sciences, expected China's second-quarter growth to slow to 10.6 percent and the annual growth to reach 10.5 percent.

China, the world's third largest economy, posted economic growth of 11.9 percent in the first quarter, which analysts said was mainly supported by the country's massive economic stimulus package.

The country's GDP growth in the fourth quarter this year and the first quarter of 2011 might slow to around 9 percent, said Zhu Jianfang, chief macro economist with Citic Securities.

Zhu ruled out the possibility of a double dip for China's economy and said growth would show a U-shaped curve.

The latest economic indicator pointing to a slowdown in China's growth was the Purchasing Managers' Index for the manufacturing sector, which slowed for two consecutive months. The index stood at 52.1 percent in June, down 1.8 percentage points from May.

Growth in fixed assets investment, one of the major engines boosting China's growth, would witness an obvious deceleration in the third quarter this year, said Xing Weiwei, an analyst with the Jianyin Investment Securities.

Xing expected fixed assets investment to climb about 20 percent year on year during the July-September period, compared with an increase of 25.6 percent in the first quarter.

China unveiled a 4-trillion-yuan (589.97 billion U.S. dollars) economic stimulus package in late 2008 to counter the adverse impacts of global financial crisis. The spending was planned to the end of 2010.

The National Bureau of Statistics is scheduled to release a range of economic data on Thursday, including second-quarter gross domestic product growth, the consumer price index and fixed assets investment.

- China's civil aviation industry sees double-digit growth in first half of year (13<sup>th</sup> July)

(Xinhua) - China's aviation industry has achieved double-digit growth in the first six months this year, due to sharp rise in air traffic demand, the top official of China's civil aviation said here Tuesday.

From January to June, China's aviation industry saw 25.38 billion ton/km in air traffic turnover, up 31.7 percent year-on-year, said Li Jiayang, director of the Civil Aviation Administration of China (CAAC), at a work conference.

During the period, passenger volume totaled 126 million, up 17.6 percent over the same period last year.

Fixed asset investment in the civil aviation sector hit 17 billion yuan (2.5 billion U.S. dollars) in the first half of the year, up 19.7 percent, Li said.

He attributed the robust development of civil aviation industry partially to local governments' enthusiasm for the industry.

- China: The Internal Debate Over Economic Policy (14<sup>th</sup> July) STRATFOR

#### Summary

Recent reports in China's state media suggest that some banks and state-owned companies are resisting the central government's attempts to tighten control over the real estate sector. This calls attention to China's ongoing difficulties in managing the economic recovery and points to internal debates in Beijing over how to best handle newly emergent economic challenges as the global recovery appears to be losing steam.

#### Analysis

Recent reports in China's state media, subsequently denied by government officials, reveal difficulties in implementing Beijing's measures to tighten its grip on the rapidly growing real estate sector. These difficulties highlight the [internal debates in Beijing](#) about how to best handle economic policy amid signs that the domestic economy and global economy are slowing.

The contested media reports relate to problems with the implementation of regulations on the real estate sector which the State Council [imposed in April](#). The regulations called for, among other things, raising down payments and mortgage rates and restricting access to credit for property developers and buyers of more than two homes. Individual investors in China frequently buy multiple houses as a store of wealth, since the real estate sector has been growing rapidly for more than a decade and the financial system does not afford many other opportunities to make a decent return.

The regulations' effects have only begun. Home sales have been affected the most, with transactions in the first half of the year falling by 50 percent in Shanghai, Nanjing and Hangzhou and 40 percent in Beijing, compared to the same period in the previous year. The impact on prices has not been dramatic; in June, a survey of 70 cities showed that prices fell for the first time since the measures were announced, and the size of the decline was 0.1 percent compared to the previous month. Mostly, the regulations have moderated the rapid increase in prices; in a year-on-year comparison, June housing prices grew by 11.4 percent, lower than the May growth rate of 12.4 percent and the April growth rate of 12.8 percent.

Of course, it is difficult to restrain a sector as ebullient as Chinese real estate, and recent rumors suggest the new regulations are facing resistance on several fronts. The rumor started with a quotation from a researcher from the Ministry of Housing and Urban-Rural

Development, speaking in Shenzhen, who said that the ban on lending to buyers of third homes would be loosened later and no further restrictions on the real estate market would be put in place. A report in Xinhua on July 11 raised the debate over whether further tightening measures should be introduced or existing ones scaled back. Then, a report in China Daily on July 12, quoting The Security Times, claimed that banks in Shanghai, Shenzhen, Nanjing and Hangzhou had “resumed” lending to third-home buyers, contrary to the new rules against speculation.

The rumors about persistent lending for third-home purchasers are not surprising. The central government’s April regulations never explicitly banned lending to third-home buyers (except in Beijing), but merely encouraged banning it in regions with overpriced housing. Nevertheless, the informal pressure did stop a wide variety of banks from lending, which was considered a tough move by regulators since banks see these third-home mortgages as high-quality assets. Moreover, the regulations were to be implemented by local governments, who have an interest in maintaining growth in the burgeoning residential property sector and cannot be relied on to implement central mandates faithfully. A survey by Sina.com revealed that while down payments and interest rates had risen, many small- and medium-sized banks — including China Merchants Bank, Shenzhen Development Bank and Postal Savings Bank of China — had not stopped lending to consumers buying third homes. The small- and medium-sized banks in these regions may have simply been taking advantage of a loophole in the regulations rather than flagrantly disobeying Beijing. STRATFOR sources suggest that with tacit approval from the China Banking Regulatory Commission (CBRC), these banks have continued third-home lending sporadically, depending on the details of the case. By contrast, on July 13, China National Radio reported that unnamed sources in China’s top five state-owned commercial banks emphasized that they have not provided lending to buyers of third homes and are unclear about when they would resume doing so. But the suggestion that the government would soon backtrack on its real estate policies apparently struck a nerve. Subsequently, officials from the Ministry of Housing denied any backtracking on the real estate policy and urged every province to continue implementing the regulations. The chief bank regulator, the [CBRC](#), echoed that it would continue to strictly implement the new policies.

Authorities were also forced to respond to a second series of rumors suggesting that the State-owned Assets Supervision and Administration Commission (SASAC), the body responsible for reforming and managing the central government-administered enterprises, had counteracted government attempts to [drive these enterprises out of the real estate sector](#). Over recent years, state-owned firms getting deeply involved in real estate, known as [“land kings,”](#) have contributed to China’s sky-high property prices by purchasing and hoarding large tracts of land as investment vehicles. To keep the land kings from driving up prices, SASAC announced earlier this year that 78 enterprises under its authority whose “core” business is not real estate would be forced to exit the real estate sector. Only 16 central state-owned enterprises (SOEs) are allowed under these rules to continue in real estate development because it counts as their core work.

Recent reports, however, suggested that in late June these 16 firms were buying land “spontaneously,” apparently in direct contravention of the policy on reducing land purchases by SOEs to help cool the market. The reports claimed that SASAC had “asked” the SOEs under its control to accelerate expansion plans within their core

business, which, for the 16 SOEs, would naturally entail buying more land. SASAC later denied this report, but STRATFOR sources have observed that the 16 real estate SOEs are expanding their purchases as their competitors are being edged out gradually. Nevertheless, the process of ushering the other SOEs out of the sector has made few concrete advances since the SOEs are reluctant to abandon their land assets. So far, according to Huanqiu, only China National Petroleum Corporation has sold its real estate subsidiary, and only a handful — including China Aerospace Sciences and Industry Corp., Golden Seed Winery, Huadong Medicine Cooperation and Zhejiang Hailide New Material Cooperation, and COSCO — are close to shutting down their real estate arms. STRATFOR sources say the companies that are actually honoring the obligation to withdraw from real estate investment are those that have their own reasons, other than following government orders, for doing so. The slothful retreat of the other firms from the property markets bodes ill for the plan to stop the land kings' speculative practices. Since all of these rumors and official refutations are taking place in official state media, the stories cannot be taken at face value. The reports do more than reveal how the central government's newest controls on the real estate sector are being dodged and resisted. They reflect domestic political debates about economic policy within the Chinese establishment that are ramping up — [yet again](#) — as China faces increasing uncertainties stemming from an approaching domestic slowdown as well as heightened risks to the global economy. In particular, the entities in China's central government that are most concerned about managing price inflation in the [housing sector](#) so as to maintain social stability and prevent systemic financial risks — symbolized most prominently by [Premier Wen Jiabao](#) — are in competition with the local governments, banks and SOEs that benefit monetarily from ever-rising prices.

Yet even the central government does not want the real estate regulations to cause prices to [fall too far](#), since that would slow related sectors and other industries dependent on real estate, like [steel and aluminum](#), and would thus affect the broader economy and stability. Only China's would-be homeowners from the lower and middle classes genuinely want prices to fall significantly. In this light, Wen's prominent statements on the need to constrain prices and make affordable houses more widely available have more to do with managing public expectations than making sure reforms have concrete effects.

Such political management is especially necessary in the event that the recent rumors prove true and China moves to soften, reverse or otherwise compromise the latest attempts to control the sizzling real estate markets. With the outlook cloudy for China's exports in the coming months due to heightened risks to external demand, Beijing may turn yet again to spurring property development as a ready source of exuberant internal growth, despite full awareness of the [sector's weaknesses](#).

- China slashes administrative approval items (14<sup>th</sup> July)

(Xinhua) -- Chinese authorities will reduce the number of items subjected for the central government's administrative approval by ten percent to perfect the country's socialist market economy and fight rampant corruption.

According to a statement sent to Xinhua Wednesday from the State Council's administrative examination and approval system reform office, the State Council would remove 113 administrative approval items while delegating approval power for 71 items to government departments at lower levels.

More than half of the administrative approval items have been rescinded or adjusted since the country initiated its administrative examination and approval system reform in 2001, the statement read.

Earlier reports said the reform was aimed at cleaning up China's over-regulated administrative approval system, which had led to unnecessary government intervention in small businesses.

The lack of transparency and inadequate supervision of administrative authority had also resulted in many corruption cases.

In a typical case, the Zhengzhou city government of Henan Province set up a "steamed bread office" in the late 1990s which required the registration of every person in the city who wanted to make and sell steamed bread, and charged them with "advertisement fees" of 1,000 yuan each without central government approval.

While acknowledging that noticeable progress had been made since 2001, Wednesday's statement admitted that, currently, the number of administrative approval items was still more than needed.

It said the State Council's administrative examination and approval system reform office would, in the future, strengthen supervision to make sure that cancellation of the items was carried through, conduct relevant studies, and further deepen the administrative examination and approval system reforms.

- Chinese equities rise ahead of economic data release (14<sup>th</sup> July)

(Xinhua) -- Chinese shares closed up Wednesday ahead of the release of second quarter economic data, with the benchmark Shanghai Composite Index up 0.82 percent to end at 2,470.44 points.

The Shenzhen Stock Index rose 0.02 percent, or 1.96 points, to 9,803.72 points.

Total turnover increased to 132.66 billion yuan (19.57 billion U.S. dollars), from 127.97 billion yuan on the previous trading day.

Gainers outnumbered losers by 740 to 136 in Shanghai and 679 to 298 in Shenzhen.

The National Bureau of Statistics is expected to release a range of economic data Thursday, including the second quarter gross domestic product growth, the consumer price index and fixed assets investment.

The benchmark Shanghai Composite Index rose sharply in the morning, but pared gains in the afternoon trade, as market sentiment turned cautious over expectations of the economic data and the initial public offering of the Agricultural Bank of China (ABC), which is also scheduled to start trading on the A-share market on Thursday.

The ABC is expected to raise up to 10.12 billion U.S. dollars via the Shanghai portion of the IPO, as its A-share IPO price was set at 2.68 yuan per share.

Shanghai's local shares rebounded after witnessing a significant decline last month, on speculation of possible mergers and acquisitions among state-owned enterprises in Shanghai.

The sector gained 1.49 percent, while up to 11 stocks rose by the daily limit of 10 percent. Banks also rose by 0.79 percent, boosted by Bank of Ningbo's forecast that the bank expected a 70 to 80 percent year on year growth in profit in the first half.

Industrial Bank gained 2.1 percent to close at 25.3 yuan, and Bank of Beijing rose 1.28 percent to 13.44 yuan.

China's largest gold producer, Zijin Mining Co., said in a statement to the Shanghai Stock Exchange Wednesday that it would extend an investigation into the acid spill at Zijinshan mine, in southeast China, that had contaminated a river and killed thousands of fish.

Luo Yinnan, president of the company, said Zijin Mining would compensate fish farmers for their losses and had suspended production at the mine.

Shares of the company close flat at 5.76 yuan on Wednesday.

Analysts are expecting China's economic growth to slow down in the second quarter as the effects of the government's massive stimulus package weaken.

Pei Changhong, head of the Institute of Finance and Trade Economics of the Chinese Academy of Social Sciences, has forecast second-quarter growth to slow to 10.6 percent from 11.9 percent in the first quarter.

- Asia-Pacific stocks down on China IPO, economic data (15<sup>th</sup> July)

Asia-Pacific stocks edged down on Thursday as China's massive AgBank IPO got off to a pedestrian start and sentiment about the US and Chinese economies weakened.

In Shanghai, the Composite Index was down 0.21%, or 5.11 points, at 2,465.33, as shares in Agricultural Bank of China rose just 2.2% to 2.74 yuan in a high-profile debut seen as a barometer of Chinese economic vigour.

Hong Kong, where AgBank floats on Friday, was down 0.27%, or 55.24 points, at 20,505.57 mid-morning.

"The performance is weaker than expected. Many individual investors are in a rush to sell the stock around 2.72 yuan to make a profit as they are worried the stock will drop below the IPO price in the coming days," Shen Jun, strategist at BOC International (China) Ltd, told Dow Jones Newswires.

China announced that its economic growth had slowed in the second quarter as massive stimulus spending was scaled back and moves to rein in soaring property prices started to bite.

Gross domestic product in the world's third-largest economy maintained double-digit growth for the third quarter in a row, expanding 10.3% in the three months to June, but slowing from 11.9% in January-March.

Japanese shares fell 1.03% by lunch as investors raked in profits after a rally the previous day and as fresh data showed a less rosy outlook for both the US and Chinese economies. The benchmark Nikkei index of the Tokyo Stock Exchange fell 100.57 points to 9,694.67, while the Topix index of all first-section shares dropped 1.40%, or 12.18 points, to 858.55.

Car makers headed south, with Toyota Motor down 1.7% and Nissan Motor down 2.2%. Nissan has suspended production at two US plants for three days due to a parts supply problem, after already idling four plants in Japan.

"There are a growing number of indicators that point to a slowing US economy," said CMC Markets analyst David Taylor.

In Washington, the Federal Reserve downgraded its US growth forecast for this year and hinted at new stimulus measures, while data showed US retail sales had fallen more than expected in June for a second straight month.

Japan's central bank on Thursday kept its key lending rate unchanged at 0.1%, as widely expected, and raised its growth forecast for the current fiscal year to 2.6%.



Japan's economy shows "further signs of moderate recovery," the Bank of Japan said in a statement, adding that overcoming deflation and returning to sustainable growth remained a "critical challenge".

Sydney's S&P/SX 200 was down 0.40%, or 18 points, at 4,444.4, with traders citing continued concerns about the US economy despite positive earnings reports this week from Alcoa and Intel.

Singapore's Straits Times Index was flat at 2,951.07.

In Tokyo, the dollar traded marginally lower against the yen, hit by the weak US data, dealers said.

The dollar was quoted at 88.17 yen, down from 88.27 yen in New York late Wednesday. The euro fetched 1.2725 dollars and 112.20 yen, down from 1.2743 dollars and 112.62 yen.

Oil prices sank in Asia as traders took profits from a rally Wednesday, spurred by a better-than-expected fall in US crude stockpiles, analysts said.

New York's main contract, light sweet crude for delivery in August, dropped 14 cents to 76.90 dollars a barrel. Brent North Sea crude for August delivery slid 53 cents to 76.24 dollars on its last trading day.

Gold opened at 1,209.50-1,210.50 US dollars an ounce in Hong Kong, down from Wednesday's close of 1,213.50-1,214.50 dollars.

<http://www.abs-cbnnews.com/business/07/15/10/asia-pacific-stocks-down-china-ipo-economic-data>

- Chinese growth slows but still 10.3% (15<sup>th</sup> July)

China has said its economic growth slowed in the second quarter of the year, as massive stimulus spending was scaled back and moves to rein in soaring property prices started to bite.

Gross domestic product in the world's third-largest economy maintained double-digit growth for the third quarter in a row, expanding at an annual rate of 10.3% in the three months to June, according to the National Bureau of Statistics.

The latest figures add to mounting evidence that the Chinese economy is losing steam, although Beijing has so far shown no intention of reversing tightening policies. 'Generally speaking, the economy is running well,' NBS spokesman Sheng Laiyun told reporters.

Sheng said the moderate slowdown in growth in the second quarter would help prevent the economy from overheating.

The second quarter figure marked a slowdown from the blistering 11.9% in Q1 and the 10.7% in the last three months of 2009. China has introduced a range of measures to cool the red-hot economy.

Analysts said economic growth was expected to slip to single digits in the second half, but dismissed the idea of any serious troubles in the short term.

The closely watched consumer price index, the main gauge of inflation, rose at an annual rate of 2.9% in June alone, compared with 3.1% in the previous month, the statistics bureau said. The slowdown in inflation added to mounting evidence that the government's measures to avert economic overheating were kicking in.

China's fixed asset investment in urban areas, a measure of government spending on infrastructure and a key driver of the economy, rose 25.5% in the first half from the same

period last year, the government said. Industrial output from the country's millions of factories and workshops increased 17.6% year-on-year in the first half, while retail sales jumped 18.2%.

<http://www.rte.ie/business/2010/0715/china.html>

- China's June CPI rises 2.9% (15<sup>th</sup> July)

(Xinhua) -- China's consumer price index (CPI), the main gauge of inflation, rose 2.9 percent year on year in June, the National Bureau of Statistics (NBS) said Thursday.

The June figure was down from the 3.1 percent rise in May and below market estimates that ranged from 3.1 percent to 3.5 percent.

Consumer prices in June fell 0.6 percent from May, the NBS said.

The inflation rate stood at 2.6 percent for the first half of the year compared with the same period last year, according to the NBS, below the 3 percent full-year target ceiling the government set in March.

In the first six months, consumer prices in China's urban areas increased 2.5 percent while in rural regions they increased 2.8 percent. Food prices, which have a one third weighting in CPI calculations, gained 5.5 percent during the period.

In June alone, food prices rose 5.7 percent year on year, according to the NBS.

"China's inflation in the first half was mild and within a manageable range," NBS spokesman Sheng Laiyun told reporters at a news conference.

Sheng said it was not the time to be complacent about inflation, despite a slowdown in inflation to below 3 percent.

Zhu Baoliang, chief economist at the State Information Center, said China is not facing big inflationary pressures because of the fall in home prices on a monthly basis in June, the slowing in money supply growth and a decline in international commodity prices.

Housing prices in China's major cities fell 0.1 percent in June compared to May. The growth rate for housing prices in June slowed to 11.4 percent on a year-on-year basis from 12.4 percent in May and 12.8 percent in April on a series of government measures designed to cool the property market.

China's broad money supply (M2), which covers cash in circulation and all deposits, had increased 18.5 percent year on year at the end of June, down from the 21 percent year-on-year growth rate recorded at the end of May.

New yuan-denominated lending in June fell to 603.4 billion yuan (88.7 billion U.S. dollars), down from 639.4 billion yuan in May.

Wang Qing, Morgan Stanley's Hong Kong-based economist, said in a note to clients that the earlier-than-expected decline in CPI inflation primarily reflected a sharp month on month decline in vegetable prices.

"While we do not think the decline in vegetable prices would be sustainable, this development is consistent with our assessment that the underlying inflationary pressures have started to ease," he said.

"We reaffirm our call for the headline year-on-year inflation to peak in July and start to edge down over the rest of the year," he said.

China's Producer Price Index (PPI) rose 6.4 percent year on year in June, lower than the PPI growth of 7.1 percent in May, Sheng said.

For the first half, the PPI rose 6.0 percent year on year, Sheng added.

<a href="#">CPI</a>	<a href="#">PPI</a>	<a href="#">GDP</a>	<a href="#">Retail</a>	<a href="#">Fixed-asset</a>	<a href="#">Industrial</a>	<a href="#">value-added</a>
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			<a href="#">sales</a>	<a href="#">investment</a>	<a href="#">output</a>
<b>Up 2.9%</b>	<b>Up 6.4%</b>	<b>Up 11.1%</b>	<b>Up 18.2%</b>	<b>Up 25%</b>	<b>Up 17.6%</b>

- China's 2010 H1 fiscal revenue up 27.6 pct (15<sup>th</sup> July)  
China's fiscal revenue rose 27.6 percent in the first six months of 2010 from a year earlier to 4.34 trillion yuan (639.74 billion U.S. dollars), said Ministry of Finance Thursday

- China's reports income increase for urban, rural residents in 1H (15<sup>th</sup> July)  
(Xinhua) -- The income of China's urban and rural residents continued to increase in the first half of the year, data from the National Bureau of Statistics (NBS) showed Thursday. In the first six months of the year, per-capita disposable income for urban people reached 9,757 yuan (1,428.55 U.S. dollars), up 10.2 percent year on year. After deducting inflation, though, actual growth was 7.5 percent, said NBS spokesperson Sheng Laiyun. Per-capita cash income for rural residents stood at 3,078 yuan in the first half of the year, and the actual growth was 9.5 percent after deducting inflation, according to Sheng.

- Saving energy, emission controls called biggest challenge to auto industry (15<sup>th</sup> July)  
(Xinhua) -- Saving energy and increasing reductions in auto exhaust emissions are the biggest challenges facing today's auto industry, an expert and former senior Chinese government official said Thursday.

As the world's largest auto market, China must shoulder more responsibilities in these areas, as well as improve the development of renewable energies to maintain the harmonious development between society and environment,said He Guangyuan, former chief of the then-Ministry of Machine Industry.

"How to maintain sustainable development of the auto industry from a technological perspective is an issue for thinking and deep discussions," He said, as explosive growth of the auto sector is putting pressure on both the environment and the nation's energy industries.

He made his remarks at an industrial forum held Thursday in Changchun, capital of northeast China's Jilin Province.

China became the world's largest auto market as it sold more than 13 million vehicles last year, and the market kept rapidly expanding as sales in the first half of 2010 jumped almost 48 percent year on year to 9.02 million units.

The Chinese government is now studying plans for the promotion of new energy-efficient autos as "a five-year or ten-year plan is expected to be rolled out in the third quarter of this year," said Dong Yang, Secretary General of the China Association of Automobile Manufacturers.

The government announced in June that it would subsidize the purchase of green cars in a bid to reduce vehicle emissions. Further, subsidies of up to 60,000 yuan (8,784 U.S. dollars) will be provided to buyers of completely electric vehicles in the five pilot cities of Shanghai, Changchun, Shenzhen, Hangzhou and Hefei.

- China introduces collective decision-making for state companies to curb corruption (15<sup>th</sup> July)

(Xinhua) -- China announced Thursday it would introduce a new collective decision-making procedure into its powerful and profitable state-owned enterprises (SOEs) in a bid to strengthen anti-corruption efforts and guard against financial risks to those companies.

All important decisions, appointments of key officials or executives, arrangements of major projects, and the use of large quantities of capital inside the SOEs must now be jointly decided by their collective leadership, said a statement released by the General Office of the Central Committee of the Communist Party of China (CPC) and the General Office of the State Council, or China's Cabinet.

The statement highlighted China's increasing pressure to keep executives of its profitable SOEs under the public's direct supervision.

Thirty-five senior executives of China's large SOEs, such as former Sinopec chairman Chen Tonghai, faced corruption charges last year and 31 of them were found to be connected to cases involving an average of 110 million yuan (16.2 million U.S. dollars).

With the new procedures, SOEs are expected to improve their decision-making mechanism by modifying the rules of procedures that include public participation, expert consultations and collective decisions concerning major issues, according to the statement.

Development strategies, filing for bankruptcy, restructuring, mergers and acquisitions, transfers of ownership and overseas investment plans by SOEs are all to become subject to such collective decision making practices, said the statement.

The SOEs' annual investment plans, financing, financial derivatives such as options and futures, imports of key equipment and technologies, bulk purchases and construction of major projects also would now need approval from their collective leadership, according to the new procedures.

- China offers vote of confidence in euro (16<sup>th</sup> July)

China delivered a strong vote of confidence in the euro on Friday when Premier Wen Jiabao said that Europe would always be one of the main investment markets for China's foreign exchange reserves.

Speaking alongside German Chancellor Angela Merkel, who is on a state visit to China, Mr Wen said "Europe will certainly overcome its difficulties".

The comments come a week after China bought [several hundred million dollars worth of Spanish bonds](#), signalling a return by Asian investors to the eurozone's peripheral markets after an absence of two months.

Mr Wen's remarks are the strongest sign yet that Chinese confidence in the European economy and in the euro - which breached \$1.30 for the first time in two months on Friday - has been restored since the launch of the massive rescue package by European leaders in mid-May.

"The European market has been in the past, is now and will be in the future one of the main investment markets for China's foreign exchange reserves," Mr Wen said. China's stockpile of foreign exchange reserves worth \$2,450bn is the largest in the world.

"I want to say that at this time, when some European countries are suffering sovereign debt crises, China has always held out a helping hand," he added. "We believe that with

the joint hard work of the international community, Europe will certainly overcome its difficulties,” he said.

Ms Merkel welcomed the public show of support from the Chinese government. “It’s an important signal that China, too, has made it clear that it has confidence in the euro,” she said.

While there was a high level of concern in Beijing about the European economy when the euro first started to fall sharply in value, there have been signs in recent weeks that opinion was shifting. Even before Mr Wen’s comments yesterday, several policy-makers had made more upbeat statements about Europe, [while influential economists have made the case for China providing some support for euro assets](#).

“There is no need for China to panic, the economic fundamentals in Europe are not that bad,” said Yu Yongding, an economist at the Chinese Academy of Social Sciences and former adviser to the central bank, in a recent interview. “To support the euro and euro assets is in the interests of China.”

Some government advisers have also suggested that strong public support for the euro would be a smart political move at a time when China’s exchange rate policy is still vulnerable to international criticism for being undervalued.

According to people familiar with Spain’s recent bond issue, China’s [State Administration of Foreign Exchange](#), or Safe, which manages the foreign exchange reserves, was allocated up to €400m (\$505m) of Spanish 10-year bonds in a debt deal last Tuesday.

Ms Merkel urged China to do more to open up its economy to foreign companies. “Chinese companies, like those of many other countries, enjoy very good access to the German market. We hope that German enterprises can enjoy the same access to the Chinese market,” she told reporters.

<http://www.ft.com/cms/s/0/879055fc-90d3-11df-85a7-00144feab49a.html>

- Germany to push EU to recognize China's market economy status: communiqué (16<sup>th</sup> July)

(Xinhua) -- A communiqué agreed by the leaders of China and Germany Friday says Germany will actively push the European Union to recognize China's full market economy status, and China will continue talks on the issue with the EU.

The joint communiqué was issued after visiting German Chancellor Angela Merkel held talks with Chinese Premier Wen Jiabao Friday morning and met with President Hu Jintao in the afternoon.

Both sides agreed the international financial crisis had not altered the long-term trend of world economic growth, and all countries should learn from the crisis. Though the global economy was gradually reviving, the foundations were still fragile, the communiqué said. China supported the EU's efforts to stabilize its economy and finances and attached importance to the role Germany played in this process. China also believed that countries within the euro zone would overcome the difficulties and realize stable economic development, the communiqué said.

The two countries vowed to continue to enhance communication and negotiation within the G20 and to oppose trade and investment protectionism in any form.

Germany welcomed China's efforts to accede to the WTO Government Procurement Agreement, the joint communiqué said.

Both sides attached importance to the role of the real economy in economic development, and agreed to hold regular seminars to promote economic and technical cooperation, as well as cooperation in infrastructure construction, raw materials, steel, the automobile, medicine and bio-technology industries, energy and environmental technology, chemistry and information technology. The two sides would strengthen aviation cooperation, the communique said.

The joint communique also stressed that it was in the interests of both countries to properly handle climate change.

The two sides reaffirmed they would adhere to the principle of "common but differentiated responsibilities," acknowledged the UN Framework Convention on Climate Change and the Kyoto Protocol as appropriate and effective frameworks for international cooperation, and spoke highly of the active measures taken by the two governments, the communique said.

The first China-Germany work group meeting on climate change will be held later this year.

This is Merkel's fourth China visit. Later Friday, she will fly to Xi'an, in northwest China's Shaanxi Province.

- China's CPI to stand at near 3% for remainder of year: NDRC (16<sup>th</sup> July)

(Xinhua) -- China's consumer price index (CPI), the main gauge of inflation, will be maintained at around 3 percent for the rest of the year, given the abundant food supplies and eased inflationary expectations, the country's top economic planner said Friday.

The National Development and Reform Commission (NDRC) predicted that the CPI would decline beginning in October, according to a statement posted on its website.

The statement further said that China's economy would grow steadily over the rest of the year as supply and demand are set to be balanced.

China has abundant grain reserves, although its summer grain output fell 0.3 percent to 123.1 million tons in 2010, marking the first fall in seven years.

Inflationary expectations are likely to diminish in coming months with various measures introduced by the government to strengthen price controls and management, the statement said.

Government data issued Thursday showed China's CPI rose 2.6 percent for the first half of the year, below the 3 percent full-year target ceiling the government set in March.

Imported inflation pressures would also be reduced as China broke the yuan's 23-month-dollar peg in June, which increased the flexibility of its currency.

Also, agricultural products on global markets brought less than those on domestic markets, which also helped contain imported inflationary pressures.

Additionally, the government would maintain stability and continuity in macro policies and make macro control more flexible and better targeted over the rest of the year, the statement said.

It would also use all tools to stabilize prices and manage inflationary expectations to create a favorable environment for the country's stable and relatively fast economic growth.

- China's slowing growth could hit India's exports (17<sup>th</sup> July) THE HINDU

China's moves to bring back in control its rapidly over-heating economy appear to have paid dividends, with the economy showing signs of slowing in the second quarter of this year according to data released on Thursday.

China's economy grew 10.3 per cent in the second quarter, down from 11.9 per cent in the first and 10.7 per cent in the last quarter of 2009, announced the National Bureau of Statistics (NBS).

The economy's slowing-down follows a number of steps taken by the government in recent months, including phasing out the \$586-billion stimulus spending, tightening curbs on lending and bringing in check spiralling property prices.

Thursday's numbers were welcomed by Chinese officials but are expected to cause concerns globally, said economists, particularly because slowing industrial output could impact China's appetite for imports of raw materials.

“A slowdown in the growth rate will benefit the economy because it will prevent it from growing too fast and being overheated,” said Sheng Laiyun, a spokesman for the NBS.

Analysts said they expected growth to continue to slow through the rest of the year. Tom Orlik, an economist in Beijing with Stone & McCarthy Research Associates, said the government would now focus on preserving growth, having brought inflation under control. Growth would slow, but would not “collapse”.

The Consumer Price Index increased 2.6 per cent in the first half of the year. Inflation in June dipped to 2.9 per cent, down from 3.1 per cent in May.

“China's inflation in the first half was mild and within the range of management,” said Mr. Shen, referring to the government's three per cent target.

Of concern globally will be China's slowing industrial output, which is likely to hit China's imports. Industrial output grew 13.7 per cent in June, down from 16.5 per cent in May.

Fixed asset investment also slowed.

Significantly for India, iron ore imports are expected to fall through the rest of the year, said economists, potentially hitting the country's biggest export to China and further widening a record trade imbalance.

The first half of this year has seen Indian exports soar by 80 per cent, largely driven by iron ore and slag, which accounted for 63 per cent of total exports.

But recent months have seen signs of falling demand for iron ore as a result of slowing industrial output, with some of China's biggest steelmakers announcing price-cuts in recent weeks.

<http://www.thehindu.com/business/article518921.ece>

- Chinese steel mill's investment to boost Sierra Leone economy: minister (17<sup>th</sup> July)

(Xinhua) -- Sierra Leone Mineral Resources Minister Alpha Kanu on Friday welcomed a 1.5-billion-dollar investment in a major iron ore mine in the country, saying that it will boost the local economy and create thousands of jobs.

The Shandong Iron and Steel Group Co., Ltd. of China has signed a binding Memorandum of Understanding with the London-listed African Minerals to acquire a 25-percent share of African Minerals' Tonkolili iron ore mine in Sierra Leone at the cost of 1.5 billion U.S. dollars, African Minerals announced on Tuesday.

"It is a great mining achievement for Sierra Leone, as it will bring much needed foreign exchange to boost up the fragile Sierra Leone economy," Kanu said.

"We are also delighted that some 2000 Sierra Leonean youths will be employed, which will be increased to between 4,000-5,000 jobs in the future," he added.

The investment came with an off-take agreement for a total of up to 10 million tons of iron ore at discounted prices each year.

African Minerals said the proceeds from the deal will be used to build a railway line linking the mine and the port. The railway will be completed in the fall of 2011, and the first delivery of iron ore will take place in the fourth quarter of the same year.

Shandong Iron and Steel Group is one of the largest steel enterprises in China while African Minerals is Sierra Leone's biggest exploration and mining company.

Earlier, African Minerals signed an agreement with China Railway Materials Commercial Corporation, allowing the state-owned Chinese enterprise to take 12.5 percent of its stakes.

## **Social front**

- China supreme court issues detailed work report in move to encourage judiciary transparency (13<sup>th</sup> July)

(Xinhua) -- China's Supreme People's Court (SPC) on Tuesday released a detailed 2009 report on the work of the country's courts, a move seen as the judiciary's efforts in promoting work transparency and seeking supervision from the public.

During each annual session of the National People's Congress, which is usually held in early March, the country's chief justice will also deliver a work report. But different from that one, the mid-year report is said to be more comprehensive.

"The report just released is in line with the one delivered by the SPC president regarding the main spirit and structure of the court. But this one, with more specific cases, figures and illustrations, aims to tell the public what the people's courts did in 2009 in full details," said Hu Yunteng, a senior official with the SPC.

Figures from the report show that the SPC dealt with 13,318 cases of various types and ruled on 11,749 cases, up 52.1 percent year on year. Local courts at various levels resolved more than 10 million cases, according to the report.

The number of cases brought before courts nationwide registered an average annual rise of 5.95 percent since 2005.

The report pointed out that judicial work at grass-root courts was "more arduous" as cases soared, while the number of judges hearing these cases remained about the same.

According to the report, one Chinese judge heard an average of 55 cases last year. In some local courts, this figure reached above 280.

In addition to statistics, the report also covers, in detail, several highly publicized cases.

In July 2009, the Intermediate People's Court of Chengdu in southwestern Sichuan Province sentenced a drunk driver named Sun Weiming to death, the first such verdict in China. In the second trial, the verdict was reduced to life imprisonment.

According to the report, while adhering to lawful judgment, various local courts "publicized the sentences on major drunk driving cases in a timely manner and addressed public questions earnestly and patiently."



Following the verdict, the SPC issued a judicial interpretation last September that instructed local courts in what situations severe sentences should be handed down to a drunk driver as drunk driving cases rose rapidly in various regions, said the report.

"The report, recording the courts' proper management of widely-focused cases, aims to address public concerns, reflect open justice and promote public confidence in justice," said Sun Jungong, SPC spokesperson.

The report also mentions the prominent case of Huang Songyou, the former SPC vice president who was sentenced on Jan. 19 to life imprisonment for taking bribes and embezzlement.

Further, the report indicates that the number of civilian jurors increased from 57,000 to 77,000 in 2009 and their opinions were taken into account in some 632,000 cases, up 25.1 percent year on year.

"The people's courts at all levels highly values the efforts of civilian jurors in solving social conflicts and have been striving to introduce 'civilian wisdom' into the country's judicial work," said the report.

According to the SPC, the court will solicit public opinions regarding the report and the work of people's courts in order to "scan for work deficiencies and better implement the principle of judicial openness."

Such a report will be released regularly every year.

- Census privacy guaranteed for foreigners (14<sup>th</sup> July)

(Xinhuanet) -- The Chinese government has pledged to protect the privacy of people from Hong Kong, Macao, Taiwan and foreigners living and working on the mainland during the country's sixth national census.

The latest census, starting Nov 1, will for the first time include foreigners and non-mainland residents who are living on the mainland.

"Income and religion will not be included in the questionnaire," Zhang Weimin, deputy chief of the National Bureau of Statistics, told reporters Tuesday in Beijing.

"All census enumerators will take an oath of confidentiality, and any information provided in the questionnaire cannot be used as evidence in administrative actions against the interviewees," he said.

The questionnaire for non-mainland residents is much shorter than for mainland residents - there are only eight questions, including "purpose for staying on the Chinese mainland" and "educational attainment".

"An increasing number of foreigners are participating in China's economic life and share local public services, so the census needs their information for appropriate policy making," Zhang said.

A national census counting foreigners and non-mainland residents living and working in the country is an "internationally accepted practice," he said.

- President Hu Jintao stresses education development (14<sup>th</sup> July)

(Xinhua) -- Chinese President Hu Jintao on Wednesday urged the Communist Party of China and the whole country to give priority to education in their work, in order to build a moderately prosperous society, push forward socialist modernization, and achieve the great rejuvenation of the Chinese nation.

Hu made the remarks during a high-profile work conference on national education in Beijing.

Education was the cornerstone of national rejuvenation and social progress, and the basic means to improve all-round development of individuals, Hu said during the conference.

Strategic priority should be given to education in the work of the Party and the country, he said, adding that financing and public resources should be allocated in favor of education and human resources development.

He said education reform and development should be student-oriented, and urged authorities to implement quality education, to hone the students' sense of responsibility, their innovative spirit, and their capacity to solve practical problems.

He said authorities should be innovative when deepening education reform and enhancing international education cooperation, and should promote education equality by protecting citizens' lawful rights to education, supporting those in need, and promoting balanced education development between different regions and between urban and rural areas.

He also urged authorities to focus on the quality of education, and called for efforts to put together a contingent of noble, enthusiastic and high-quality teachers.

China's National Plan for Medium and Long-term Education Reform and Development should be fully carried out, Hu said, adding the whole society should be mobilized to support the country's education development.

Premier Wen Jiabao also delivered a speech, stressing that the goal to raise educational spending to 4 percent of GDP by 2012, envisaged in the plan, shows the Party and the government's resolution to promote educational reform and development.

Wen identified five objectives in promoting education development: to promote equal access to education, to promote diversification in the education sector, to focus education on all-around development of students, to deepen reform of education system and to staff the nation's schools with good teachers.

Wen noted that more educational resources should be channeled to underdeveloped areas and urged that students from low-income families be able to afford schooling.

Wen also recommended giving full play to the private sector to run educational institutions and to attach greater importance to vocational education.

Further, Wen urged the deepening of curriculum reform so that students could develop in an all-around manner.

Wen also said governments should interfere less with decision-making and management of schools so that schools become less bureaucratic.

Wen urged providing even better treatment and even more respect to teachers, so that teaching could be the most-wanted job in China.

Senior leaders Jia Qinglin, Li Changchun, Xi Jinping, Li Keqiang, He Guoqiang and Zhou Yongkang also attended the conference.

- China issues judicial ruling banning executees' luxury consumption (15<sup>th</sup> July) (Xinhua) -- The Supreme People's Court of China Wednesday publicized a judicial ruling to prohibit luxury consumption by people legally in debt.

Yu Lingyu, official with the Supreme People's Court, said due to the lack of a full-fledged credit system in China, some executees could get away from their legal

obligations while spending freely. The judicial ruling was made to prevent such intentional debt evasion.

According to the new judicial interpretation, executees are prohibited from luxury consumptions such as traveling first-class on planes, trains and ships; spending on five-starred hotels, restaurants, night clubs etc; buying property and renting high-class office buildings; touring; buying cars for private use, or sending children to schools with expensive tuition.

The judicial interpretations further stipulate that all consumptions that are not necessary in either their daily lives or work may be considered to be luxury consumption.

Additionally, even consuming in others' names, if proven to be paid by the executees themselves, would be illegal.

- China publicizes natural disaster relief regulations (15<sup>th</sup> July)

(Xinhua) -- China publicized regulations on natural disaster relief on Wednesday.

The regulations, which make clear the responsibility of governments in disaster relief work, will take effect Sept. 1, 2010.

According to the regulations, leaders of governments at all levels will be held accountable for relief work, and the nationwide relief work is to be commanded by the national disaster reduction authority.

The regulations also stipulates that governments above county level are responsible for mapping out emergency response plans, providing transportation and communication facilities to disaster relief work, designating emergency shelters and training disaster relief teams.

Further, the Legislative Affairs Office of the State Council issued a statement Wednesday, further clarifying the regulations.

The statement notes that China is a natural disaster prone country. Over the past two decades, natural disasters have killed 4,300 people each year.

The central government has allocated over 5 billion yuan (737 million US dollars) of annual relief fund during the past five years.

The statement goes on to say that disaster relief work is still plagued by several problems, such as slack supervision over donations and other concerns.

To address this problem, the regulations stipulate that donations could only be used in relief work. Governments at all levels, including grass-roots communities, should make public all information about donors, amounts of donations, and its specific usage.

The regulations also stipulates that governments at all levels must devise a supervisory system dealing with complaints and whistle blowers, to prevent abuse of disaster relief donations and materials.

- Senior Chinese leader urges public's complaints be properly addressed (17<sup>th</sup> July)

(Xinhua) -- Senior Chinese Leader Zhou Yongkang urged governments at all levels to address people's complaints and protect their immediate interests during a meeting here on Friday to review handling of the public's petitions.

The State Bureau for Letters and Calls, an authority dealing with petitions, reported on its work during the first half of this year at the meeting.

Zhou, who is a member of the Standing Committee of the Political Bureau of the Communist Party of the China Central Committee, recognized that the number of complaint letters, collective petitions and massive conflicts has decreased.

However, Zhou said China was still going through a phase when various social conflicts surfaced, in particular conflicts sparked by land takeovers in the countryside, apartments being demolished in urban areas, labor disputes, and other problems.

Zhou urged governments at all levels to address root causes of these social conflicts and avoiding pursuing economic growth at the expense of extensive consumption of land and resources, which might harm people's interests.

Zhou also urged investing more in social development, such as education, health care, housing, social security and other programs to improve people's standards of living.

Zhou urged eliminating any extravagant projects that waste taxpayers' money, and preventing any violations of laws in land appropriations and the demolishing of apartments.

Further, Zhou called for more efforts to handle labor disputes and asked governments at all levels to push enterprises to heed employees' appropriate demands.

Zhou also urged cadres to be patient with petitioners, and to encourage petitioners to settle disputes through lawful channels.

## **Ethnic issues**

- China calls on world not to provide stage for Tibetan separatists (14<sup>th</sup> July)

(Xinhua) -- Chinese Foreign Minister Yang Jiechi here on Wednesday called on all countries not to provide stage for Tibetan separatists, saying Tibet-related issues are purely China's internal affairs.

Yang made the remarks at a press briefing after his talks with his British counterpart William Hague.

He said it is widely recognized by the international community that Tibet has been an inalienable part of Chinese territory since ancient times.

He said Tibet adopts the system of ethnic regional autonomy, according to China's Constitution and Law on Regional Autonomy for China's Minority Nationalities.

In March 1959, the Chinese government dissolved the aristocratic local government of Tibet and freed more than 1 million serfs.

Since the democratic reforms more than 50 years ago, Tibet has made remarkable achievements in all fields including political, economic, cultural areas, and enjoyed comprehensive social progress, great improvement of people's living standard, and proper preservation of cultural heritages, Yang said, adding the Tibetan people fully enjoy freedom of speech and all rights endowed in the laws.

The Tibet issue bears on China's sovereignty and territorial integrity, and its core interests, and is the internal affair of China, Yang said.

He called on countries to respect China's sovereignty, not to provide a stage for the Tibetan separatists.

In response to questions concerning Afghanistan, Yang said China would like to work with the international community, including Britain, to work actively for an early settlement of the Afghanistan issue.

He said as Afghanistan is an important neighbor of China, China is committed to develop good neighborly friendship with Afghanistan.

China highly values, and actively takes part in the reconstruction process of Afghanistan, he said, adding China welcomes an independent Afghanistan with peace, stability and progress, and neighborly friendliness.

During the talks and the press briefing, Yang also called on China and Britain to properly handle their differences, and work together in tackling global and regional challenges.

Maintaining and furthering Sino-British relationship conforms with the fundamental interests of the two countries, he said.

## **Environmental front**

- China, EU strengthen space technology co-op to monitor climate change (12<sup>th</sup> July)

(Xinhua) -- China and the European Union have strengthened their cooperation in space technology to better monitor climate change and improve the ability to prevent and control natural disasters.

At a conference entitled "Let's Embrace Space" , held by the EU pavilion at the Shanghai World Expo, Reinhard Schulte Braucks, head of Unit Space Research and Development, European Commission, said air pollution is a common problem facing the entire world. He said China and the EU should strengthen cooperation and act to improve air quality monitoring.

Further, China' s Ministry of Science and Technology and the European Space Agency are conducting a cooperation project-DRAGONESS, which is China' s largest international cooperation project in the field of earth observation.

The project includes joint scientific research, sharing data, technological training and an exchange of scholars.

Braucks said China has many resources that the EU doesn' t have. China has sent many satellites into orbit, which can provide a large quantity of important data. Besides that, he said Chinese and European scientists are able to share their complementary knowledge regarding space and technology.

## **Cyber/Technology Front**

- China confirms Google's operation license renewed (11<sup>th</sup> July)

(Xinhua) -- A Chinese government official said Sunday China had approved renewing the operation license of Beijing Guxiang Information Technology Co. Ltd., operator of Google's China website.

The official with the Ministry of Industry and Information Technology (MIIT), who spoke anonymously, told Xinhua that the result of its annual checkup on Google was "Approved after Rectification."

Guxiang submitted an application letter to the MIIT on June 29 to renew Google's Internet Content Provider (ICP) license, a permit to run websites in China.

In the application letter, Guxiang pledged to "abide by Chinese law," and "ensure the company provides no law-breaking content as stipulated in the 57th statement in China's regulations concerning telecommunications."

The statement says that any organization or individual is prohibited from using the Internet to spread any content that attempts to subvert state power, undermine national

security, infringe on national reputation and interests, or that incites ethnic hatred and secession, transmits pornography or violence.

Guxiang also accepted that all content it provides is subject to supervision of government regulators, said the official.

- Google Stays in China. And Baidu Keeps on Winning (15<sup>th</sup> July)

In early July, as Google ([GOOG](#)) executives waited for the Chinese government to renew its license to operate in the country, Baidu ([BIDU](#)) was dispatching a recruiting team to Silicon Valley. On July 10, Baidu's vice-president of engineering, Wang Jing, met dozens of applicants interested in moving to China to work for the No. 1 search engine in the world's largest Internet market. "People recognize Baidu is not just a local company," says Wang, 46. He joined Baidu in April after nearly four years with Google. "They understand our ambitions."

Baidu, which next month celebrates the fifth anniversary of its Nasdaq initial public offering, has enjoyed an 82 percent rise in its stock price this year. That compares with a 21 percent drop for Google and a 19 percent fall for Chinese portal Sina.com ([SINA](#)). Investors are rewarding Baidu for its dominance in the Chinese search market, where the company has a 64 percent share, according to Analysys International, a research firm in Beijing. That's more than double the share of second-place Google. "Baidu is willing to do whatever the government wants, to play by the rules. That's to Baidu's benefit," says Jason Helfstein, an analyst at Oppenheimer in New York. "Google is trying to do things that they think are the right thing to do, even if it has negative business implications."

Baidu's lead may grow, thanks in part to the technological convolutions Google has gone through to stay in business in China. In order to comply with Chinese law without violating its own commitment not to censor search results, Google created a landing page that appears after users in China enter a search term. When users click on a link on the new page, they get redirected to a search engine located in Hong Kong. (Chinese censorship rules don't apply in the former British colony because of Beijing's "one country, two systems" policy.) The extra steps are an inconvenience to users that will drive more people to Baidu, analysts predict. And where users go, advertisers will follow. Google's China search engine "doesn't operate like a normal website," says Wendy Huang, an analyst in Hong Kong with RBS. "As long as Baidu keeps its core search business, companies will go to Baidu naturally." Baidu, she says, doesn't "even need to try too hard."

Baidu Chief Executive Robin Li, a State University of New York at Buffalo graduate who worked for Infoseek in the late 1990s before starting Baidu in 2000, is focusing on building the company's lead with new technology and old-fashioned marketing. Earlier this year he sent sales executives to 100 Chinese cities to meet with potential advertisers among small and midsize businesses and answer their questions about keyword advertising. The marketing push "has been quite effective in improving the brand," says Wallace Cheung, an analyst in Hong Kong with Credit Suisse ([CS](#)). He expects Baidu to earn \$493 million this year, more than double its 2009 profit, on sales of \$1.2 billion, 84 percent higher than last year. Li's salespeople are also busy promoting Baidu's new online sales system, called Phoenix Nest, which makes it easier for companies to buy keywords as well as related words that don't necessarily use the same Chinese characters.

Next, Li may push Baidu into new businesses. He has tried to make the company a force in social networking, with a service allowing users to get in touch with people who make similar online queries. Teaming up with U.S. private equity firm Providence Equity Partners, the company has started a venture called Qiyi, an online video site similar to Hulu. Another joint venture, an e-commerce partnership with Japanese retailer Rakuten, launched a test site in June. Baidu owns 49 percent of RakuBai, with the Japanese partner owning the rest.

Not all of Baidu's ventures have panned out. The company's first attempt to expand beyond China, a search site in Japan, has not made a significant contribution to sales. Although Baidu in January fended off a lawsuit brought by Western record companies alleging it facilitated searches for pirated MP3 downloads, legal fights haven't ended. In an Apr. 30 statement, Neil Turkewitz, executive vice-president of the Recording Industry Association of America, decried what he called "brazen and notorious theft" by Baidu, which denies any wrongdoing. The company has had embarrassing problems at home, too. In July a Chinese court ordered Baidu to apologize and pay \$3,200 to a woman whose ex-boyfriend posted nude photos of her online.

Rivals aren't surrendering the market to Baidu. Hong Kong-listed Tencent operates popular online games and runs China's dominant instant-messaging service. Google, for all its woes, isn't out of the action, either: The Web giant is still the strongest site for conducting searches in English, which happens a lot in China, says Morgan Stanley (MS) analyst Richard Ji. Still, Baidu is well positioned to grow stronger. It has 220,000 advertisers, a fraction of the potential market of 40 million small and midsize businesses, according to spokesman Kaiser Kuo. "We have a lot of space ahead of us."

***The bottom line:** With Google struggling in China, Baidu is thriving thanks to new products and old-fashioned marketing.*

[http://www.businessweek.com/magazine/content/10\\_30/b4188039261406.htm](http://www.businessweek.com/magazine/content/10_30/b4188039261406.htm)

## **Regional report**

### **North**

#### **Politics**

#### **Social front**

- Int'l conference "Dialogue of Civilizations and Harmonious World" to be held in Beijing (12<sup>th</sup> July)

(Xinhua) -- The Chinese Foundation of International Research, together with the World Public Forum "Dialogue of Civilization," will hold an international conference on the "Dialogue of Civilizations and a Harmonious World" in Beijing on July 12.

The conference is aimed to enhance the mutual understanding between China and Russia, and peoples in the world, and discuss important issues in political, economic and cultural fields, in the current world, and promote the world peace, harmony and development.

Zhang Deguang, president of the Chinese Foundation of International Research, and Vladimir Yakunin, president of the World Public Forum "Dialogue of Civilizations", will deliver speeches at the opening session.

The conference will be attended by more than 40 leading experts and scholars from China Institute of International Studies, China Institutes of Contemporary International Studies, the Chinese Academy of Social Sciences, the Center for World Affairs Studies of Xinhua News Agency, Nankai University and other celebrated Chinese research institutions and universities, as well as nearly 40 well-known experts and scholars from Russia, India, Austria, Britain, Italy, France, the United States and Canada.

At the conference, Chinese and foreign scholars will open dialogue on the following issues:

1. The significance of the dialogue of civilizations in the world;
2. The significance of the view fo the harmonious world in our times;
3. The international pattern and world order in the post crisis times;
4. The trend of development of the world economy in the post-crisis times;
5. The historical lesson of the international financial crisis;
6. The multicultural harmony and coexistence, and world peace and cultural prosperity;
7. The Chinese culture and the contemporary world;
8. The Slavic culture and the contemporary world;
9. Opening dialogue of civilizations to promote relations between China and Russia

The sponsors of the conference express the hope that the international meeting in Beijing will make positive contributions to peoples in all the countries for opening dialogue of civilizations and together building a harmonious world.

The Chinese Foundation of International Research, founded in 1999 and formed by more than 200 senior diplomats, leading scholars and experts on international studies, as well as noted entrepreneurs, is one of the most influential think tanks of civil diplomacy in China. The aim of the foundation is to promote the strategic studies of the Chinese academic circles on important international issues, and to enhance the academic exchange and cooperation among research institutions at home and abroad.



The World Public Forum "dialogue of Civilizations," initiated by politicians and scholars from Russia, Iran, India, Greece and Austria and founded in 2002, is a nonofficial dialogue mechanism with international influence, and it has held the international conference on the "Dialogue of Civilizations" in Rhodes, Greece, each year since 2003. The aim of the forums is to unite nonofficial social organizations in all the countries in the world, protect together the human spiritual and cultural wealth, and provide room for the constructive dialogue among the current world civilizations.

President Zhang Deguang, and Vice President Yu Zhenqi of the Chinese Foundation of International Research were invited to attend the annual conference in 2008 and 2009, and reached an agreement on bilateral cooperation with Vladimir Yakunin, President of the World Public Forum "Dialogue of Civilizations".

It is the first time that the two sides will jointly hold an international conference in China this year.

- North China prosecutor a model for harmony: CPC leader (14<sup>th</sup> July)

(Xinhua) -- A prosecutor from a remote county of north China has been hailed by a senior leader of the Communist Party of China (CPC) as a model for dispute settlement work.

Zhou Yongkang, a Standing Committee member of the CPC Central Committee Political Bureau, Wednesday said Zhang Zhangbao was a model for China's prosecutors for his dedication to resolving disputes at grassroots level and bringing harmony.

A prosecutor in Tumote Youqi county of the north Inner Mongolia Autonomous Region for 29 years, Zhang worked hard to solve disputes for local people with fairness and honesty, said Zhou.

Some of Zhang's relatives and colleagues were invited to give reports on his outstanding performance at the Great Hall of the People in Beijing Wednesday.

Zhou met with Zhang before the meeting.

## **Economic front**

- BEIJING'S H1 FOREIGN TRADE UP MORE THAN 60 PCT (13<sup>th</sup> July)

Beijing recorded 144.4 billion U.S. dollars in foreign trade in the first half of this year, a growth of 60.2 percent on the same period of last year, according to the municipal customs house.

The total included 26 billion U.S. dollars in export value, up 16.3 percent, and 118.4 billion dollars in import value, up 74.7 percent.

The city's trade deficit doubled the year-earlier level to 92.4 billion U.S. dollars.

## **Northwest**

### **Politics**

- Mongolia, China's Xinjiang region vow to boost ties (16<sup>th</sup> July)

(Xinhua) -- Prime Minister Batbold Sukhbaatar said Friday that his country wants to develop ties with China's Xinjiang Uygur Autonomous Region.

Enhancing cooperation at the border areas of the two countries plays an important role in widening bilateral trade and economic cooperation, and Mongolia has been paying

attention to developing its relations with the border areas and autonomous regions of China, the prime minister said.

Sukhbaatar spoke during talks with a Chinese delegation led by Arken Imirbaki, chairman of the Standing Committee of the Xinjiang Regional People's Congress.

Mongolia and China have 13 ports at the border, four located in Xinjiang.

Sukhbaatar said that Mongolia aims to resolve the questions concerning infrastructure, industry and services at the ports.

He said that Mongolia wants to boost ties with Xinjiang in developing agriculture, animal husbandry, ancillary sectors and working industries.

Imirbaki said that he values development of the bilateral ties. He said that the Xinjiang region is ready to develop together with Mongolia.

## **Social front**

- Flight from Urumqi makes emergency landing amid bomb suspicion (15<sup>th</sup> July) (Xinhua) -- A flight from Urumqi in China's Xinjiang made an emergency landing Wednesday night after the crew received warnings of a possible bomb aboard, police said early Thursday.

China Southern Airlines' flight 3912, en route from Urumqi to Guangzhou, landed safely at Zhongchuan Airport in Lanzhou, capital of the northwest China's Gansu Province, at 9:53 p.m., officials with the Gansu provincial public security bureau said.

All the 93 passengers and 18 crew members were evacuated immediately, they said.

Police received reports from the air traffic control authorities at 9 p.m., saying the airline company, headquartered in Guangzhou, had received warnings of a bomb aboard the aircraft, according to the provincial public security bureau.

Security workers questioned all the passengers and crew, and finished searching the aircraft by 4 a.m. Thursday, a spokesman with the public security bureau in Lanzhou said. He said no bomb had been found.

The passengers will take another flight to Guangzhou Thursday.

Among them was a baby and 10 foreigners, police said.

The nationalities of the foreign passengers are not immediately known.

China Southern Airlines has not mentioned the incident on its website.

## **Economic front**

### **Northeast**

#### **Politics**

#### **Social front**

#### **Economic front**

### **Southwest**

#### **Politics**

#### **Social front**

- Chief Justice pledges stronger aid to improve efficiency of Tibet courts (15<sup>th</sup> July)

(Xinhua) -- Courts across China are to extend training of court staff and introduce more assistant judges in order to improve the fairness and efficiency of the judicial system in Tibet Autonomous Region.

The moves would improve resolutions of disputes, public management and ensure fair and honest law enforcement at all levels, said Supreme People's Court (SPC) president Wang Shengjun on Thursday.

The SPC planned to invite law experts and scholars to the region to give lectures to local judicial staff and operate distance education courses, Wang told a national court symposium on aid work for Tibet.

SPC trial guidance for Tibet's courts mainly cover cases concerning violations of national security, issues relating to the Qinghai-Tibet Railway, mine and grassland resources disputes and activities that seriously endangered public order, Wang said.

The SPC also instructed Tibet's courts to restructure their procedures to ensure more timely processing of cases, Wang said.

From 2003 to the end of 2008, courts at all levels in Tibet dealt with 76,000 cases, of which 73,000 were resolved.

## **Economic front**

- China's top political advisor stresses construction of ecological, living environment in developing western regions (15<sup>th</sup> July)

(Xinhua) -- China's top political advisor, Jia Qinglin, on Wednesday called for efforts to construct a better ecological and healthy living environment while pushing for rapid development in the country's western regions.

Jia, chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), made the remarks when he visited an exhibition of the western region's environmental protection marking the 10th anniversary of China's strategy to develop its western regions.

While accelerating development in the western regions, Jia said, it was crucial to pay special attention to the construction of the ecological and living environment.

"A new western region with green mountains and clean rivers will make a greater contribution to the nation's ecological security," Jia said.

Jia noted the country's strategy to develop the western regions not only rejuvenated the regions, but opened greater opportunities for the nation's development, as well.

He said the ecological environmental construction had been developing rapidly, while the local residents' living environment had been greatly improved in the western regions during the past 10 years.

Facts have proven that the Central Government's decision to develop the western regions was indisputably correct and the development of western regions is fruitful, he added.

The exhibition showcased photos, data and models reflecting the changes in the environment in 12 provinces, municipalities and autonomous regions in China's west over the past decade.

## **South central Politics**

## **Social front**

- Singapore, China's Guangdong province to enhance cooperation in healthcare services (14<sup>th</sup> July)

(Xinhua) -- Singapore and China's Guangdong province will widen collaboration in healthcare services as six agreements were signed here on Wednesday at the Singapore-Guangdong Collaboration Council meeting (SGCC).

Supported by Guangdong's rising affluence and increasingly urban lifestyles which see a rapidly growing demand for accessible and quality healthcare in the province, the SGCC has highlighted the healthcare sector as a new area of collaboration to focus on. This was in addition to the bilateral cooperation in sectors including port and logistics, information and communications technology, small and medium enterprises' collaboration and exchange, education exchanges and training of officials.

Singapore's Acting Minister for Information, Communications & the Arts Lui Tuck Yew said, "More Singapore companies are seeing Guangdong's potential and have indicated interest to explore projects in the province. Building on this heightened business interest, we hope to accomplish even more by expanding our areas of focus. One such new area is the healthcare sector in which our Singapore-based enterprises will have much to share." From January to May 2010, bilateral trade between Singapore and Guangdong amounted to 6.91 billion U.S. dollars, an increase of 41 percent over the same period in 2009.

## **Economic front**

- President stresses economic restructuring, agricultural production while visiting Henan province (11<sup>th</sup> July)

(Xinhua) -- Chinese President Hu Jintao has stressed economic restructuring, agricultural production and the role of grass-root party organizations during his visit to the city of Luoyang in central Henan province.

Hu visited state-owned enterprises, research institutes and talked with local farmers during this trip from Friday through Sunday.

At Citic Heavy Industries Co., Ltd., the largest manufacturer of mining machinery in China, Hu learned that the company had shifted focus from manufacturing to research and development. He said innovation is the lifeblood of a company.

He also visited a tractor manufacturing plant and a bearing producing company, both enjoying rapid growth thanks to restructuring. Hu asked officials at the two companies to continue with their restructuring and their ongoing expansion through innovation.

Hu also visited two research institutes. At China Aviation Lithium Battery Research and Development Center, Hu asked the center to seize the opportunity as the new energy industry is booming and the market demand for lithium batteries is expanding.

At another research institute, Hu stressed the role of talent in scientific and technological research.

Hu also urged the province to do a good job in agricultural production this year, as Henan contributes the largest share of crops in China.

Hu urged village-level party organizations to serve the interests of farmers while visiting a local village.

Hu visited farmers at a corn field and asked about the yields and price of corn. Hu told farmers that supporting grain production is a long-term policy and the state will again

boost such support in the future so farmers can earn more and increase their wealth by planting grain.

Hu said China would continue to give priority to the development of rural areas, agriculture and farmers during the 12th five year plan, China's development blueprint for the next five years.

Hu noted that China's grain yields have increased for 6 consecutive years, and this year the summer yield of grain is another good harvest, despite earlier bad weather.

Hu said, however, that Henan, as China's bowl of grain, should take on the responsibility to safeguard the nation's food security and enhance its agricultural production capacity.

While visiting a local village, Zhouli village of Mengjin county, Hu requested village-level party organizations to work for the interests of farmers.

Hu added that the party organization plays a critical role in improving the standards of living for farmers.

Zhouli village was relocated to its present site to make way for a water conservation project in the Yellow River in 1995. Since then, the per capita annual income of local farmers rose from 680 yuan (100 U.S.Dollar) to its current 4,950 yuan now, and farmers now have access to running water, cable TV as well as other public services.

Hu said the government would continue providing favorable policies to farmers so they might lead better lives.

At the end of his visit, Hu urged continuing efforts to transform the economic growth pattern, adjust the economic structure, increase the amount of indigenous innovation, continue to promote energy conservation, emission reduction and environmental protection as well as reform and opening up.

- Sixth cross-Strait economic forum concludes, 22 joint proposals adopted (11<sup>th</sup> July)

(Xinhua) -- The sixth Cross-Strait Economic, Trade and Culture Forum closed Sunday afternoon in the southern city of Guangzhou, with the adoption of 22 joint proposals for the promotion of cross-Strait cooperation in various fields.

The forum was held against the backdrop of the signing of the historic Economic Cooperation Framework Agreement (ECFA) between the two sides late June, and highlighted the enhancement of competitiveness of both sides through mutually beneficial cooperation, said Wang Yi, director of Taiwan Work Office of the Communist Party of China (CPC) Central Committee at the forum's closing ceremony.

The proposals also target cross-Strait cooperation for the enhancement of international competitiveness, and stressed cooperation in the emerging strategic industries, Wang said. Participants from both sides of the Taiwan Strait also agreed to strengthen cooperation in culture and sports, and put forward suggestions for disaster prevention and relief cooperation, in addition to the proposals for the promotion of cooperation in new energy and energy conservation, among others, Wang said.

In the joint proposal reached on the forum, both sides called for deepened cooperation in textile, electronics, precision machinery, petrochemical industries and further cooperation in the emerging industries of information, biotechnology, new energy, energy saving and environmental protection and electric vehicle.

It is also proposed that both sides across the Strait acknowledge diplomas issued by the other side.

Jia Qinglin, chairman of the National Committee of the Chinese People's Political Consultative Conference, said the joint proposals would boost economic and technical development on both sides of the Strait.

"The forum has shown the confidence and determination of both the CPC and Kuomintang (KMT) Party and of all walks of life across the Strait, to advance the economic and cultural exchanges and cooperation and peaceful development of cross-Strait relations," Jia said.

He said innovation was the key to foster and develop emerging industries and called for innovation in science and technology, management and policies.

KMT honorary chairman Wu Poh-hsiung, leader of the Taiwan delegation, also hailed the success of the forum.

He said cooperation in emerging industries with different features across the Strait would produce a "one plus one is greater than two" outcome, and would improve the competitive power of both sides and help them jointly exploit the global market.

Zhang Guobao, a guest speaker at the forum, said as both the mainland and Taiwan will focus on emerging industries in future economic development, there is a major opportunity for economic cooperation.

Cheng Fengyuan, president of the Guangzhou Association of Taiwan Investment Enterprises, said "the proposals on cooperation in emerging industries will be a stimulus for the competitive power of emerging industries on both sides of the Strait."

The forum, a regular event between the CPC and Taiwan's KMT, was first held in 2006.

This year's forum was attended by more than 400 people from both sides of the Strait.

- HAINAN TO SPEND 3.5 TRILLION YUAN ON BUILDING INT'L TOURIST ISLAND (13<sup>th</sup> July)

Southern China's Hainan Province would invest more than 3.5 trillion yuan (517.6 billion U.S. dollars) in developing itself into an international tourist island in the coming 11 years, according to the provincial tourism development commission.

Most of the money will go to tourism and other modern services. Of the total, 1.2 trillion yuan will be spent in the 2010-2015 period.

Hainan plans to receive 31.6 million tourists every day in the three years up to 2012. By 2020, the daily tourist number will reach 76.8 million, and the tertiary sector's share in the provincial economy will hit 60 percent.

## **East**

### **Politics**

#### **Social front**

#### **Economic front**

- JIANGSU PLANS TO EXPAND SOFTWARE, INFORMATION SERVICE SECTOR (13<sup>th</sup> July)

The software and information service sector in eastern Jiangsu Province will generate 400 billion yuan in annual revenue by 2012, with 650,000 workers, according to a local government plan.

The annual income is expected to reach 800 billion yuan in 2015.

The province's software export volume will reach 8 billion U.S. dollars in 2012, and three years later, the figure will hit 12 billion dollars, according to the plan.

- China's biggest metals trader to invest 1 bln yuan in rare earth processing in Jiangxi (14<sup>th</sup> July)

(Xinhua) -- China Minmetals Corp, the nation's largest metals trader, is considering to invest 1 billion yuan (148 million U.S. dollars) for rare earth processing projects in Ganzhou City of Jiangxi province over the next two years.

The move, taken to gain mining rights for the valuable resources, is also in line with the local government's requirements for rare earth miners, Wednesday's China Daily reported. However, Minmetals' proposal still needs to be cleared formally by the local government, said the newspaper.

"Minmetals does not own any rare earth mines, which has hampered it in its quest to boost resources in China's southern regions. Also, the company has ambitious plans to be present across the complete industry chain," Liu Minda, an analyst with Huatai Securities, was quoted as saying.

"Minmetals' quest to own sole mining rights in Ganzhou has not been accomplished yet," said the newspaper, quoting official sources.

- East China's Jiangsu to suffer most from cancellation of tax rebate (15<sup>th</sup> July)

(Xinhua) -- East China's Jiangsu Province, a major exporter, will feel the sting the most from China's cancellation of a tax rebate Thursday.

China's Ministry of Finance and the State Taxation Administration will cancel export tax rebates for 406 commodities, including steel, nonferrous metal building materials and chemicals, from July 15, as China draws down stimulative policies introduced to combat the effects of the global financial crisis on the nation's exports.

The tax rebate was increased seven times in a row from the beginning of the crisis until the second half of 2008.

Zhang Xin, analyst at the municipal customs house in Nanjing, Jiangsu's capital, said that steel, nonferrous metal building materials and chemicals account for a significant share of Jiangsu's exports.

The new policy's impact on Jiangsu will likely be more severe than that on other coastal regions, Zhang believes.

According to the local customs house, in the first half of the year, Jiangsu exported 1.47 billion U.S. dollars worth of commodities that will be affected by the new policy. Those exports were up 110 percent from the previous year.

That export volume accounted for 15.8 percent of Chinese exports that will be affected by the new policy, which is higher than the other two major exporting regions, Guangdong Province and Shanghai, both of which were at 6 percent, according to Zhang.

The new policy targets high-pollution and energy-intensive products like steel, nonferrous metal materials, silver powder, alcohol, corn starch, pesticides, medicines, chemicals, plastic products, rubber and rubber products, as well as glass and glass ware, according to Bai Jingming, deputy head of a finance research institute under the Ministry of Finance.

Bai said the policy change is China's latest move to save energy and reduce carbon emissions.

Shi Dan, head of the energy research center under the Chinese Academy of Social Sciences, said the new policy will not lead to a drastic decrease in Chinese exports, and in the long run, will encourage manufacturers to adjust their product mix.

Jiangsu is already beginning to adjust the structure of its exports.

In the first half of this year, the province saw new- and high-tech products outdo traditional labor-intensive products in terms of growth in exports.

In the Jan. to June period, Jiangsu exported 56.59 billion U.S. dollars of new- and high-tech products, up 51.3 percent year on year, and 19.31 billion dollars of traditional labor-intensive products, including clothing, textiles, shoes, plastic products, toys and furniture, up 24.7 percent.

## **HONGKONG AND MACAU**

### **Politics**

- Hong Kong chief sees improving livelihood as priority of his administration (13<sup>th</sup> July)

(Xinhua) -- Hong Kong Special Administrative Region (HKSAR) Chief Executive Donald Tsang said here Tuesday that priority of his administration in the coming period of time was to improve people's livelihood, which would also be part of his annual policy address in October.

Attending the city's Legislative Council question-and-answer session in the day, Tsang said Hong Kong's current social contradictions mainly resulted from income discrepancies and the fundamental way to handle these contradictions was to allow all the city's residents to share economic prosperity.

"Only if the economy continue growing, could (we) create more jobs and raise salary levels," he said.

Tsang said the city's governmental departments were implementing policies to nurture and promote development of six new industries, which could lift Hong Kong's competitiveness and make itself the most competitive city in China and the entire region at large.

The six industries, which were unveiled by Tsang in last year's policy address, were education services, medical services, testing and certification services, environmental industries, innovation and technology, and cultural and creative industries.

### **Social front**

#### **Economic front**

- Selling Hong Kong as core city of Pearl River Delta, not as isolation: InvestHK chief (11<sup>th</sup> July)

(Xinhua) -- For Simon Galpin, Director- General of Investment Promotion at Invest Hong Kong (InvestHK), the government agency responsible for attracting and facilitating foreign direct investment into this city, the most important task is to sell Hong Kong to companies and investors worldwide.



Since 2001 when he joined InvestHK as Associate Director- General, Galpin has done the job quite well as InvestHK has beat its annual target for several consecutive years on the numbers of the companies it helps to set up or expand their businesses in HK.

As Associate Director-General, Galpin had been assuming a leading role in shaping InvestHK's strategy and business planning process. In April 2009, he became chief of this selling-HK department.

Among his proven selling strategies was his emphasis of Hong Kong's role as a gateway for South China, particularly the Pearl River Delta of Guangdong Province which is the mainland's export heartland.

This gateway, Galpin told Xinhua in a recent interview, means a stepping stone not only for overseas companies to reach South China, but also for Guangdong-based companies to go global.

While some talked of competition between Hong Kong and Pearl River Delta cities in many areas, including attracting foreign direct investment, Galpin saw much more complementarities and did it in an aggressive way.

"We are not just selling Hong Kong as isolation. (Instead) we are selling Hong Kong's role as a core city of the Pearl River Delta (PRD) ... by emphasizing that the PRD is only about the size of Austria in Europe, but the area has a population of 55 million people. So it is a very compact, high growth market," he told Xinhua.

#### **COMPLEMENTARITIES BETWEEN HK, GUANGDONG**

The Pearl River Delta was not just one of the world's most important manufacturing basins, as it was emerging as a major market with quickly-rising capital income and GDP per capita, said Galpin, echoing a report published by InvestHK in May this year.

In 2008, gross domestic production of the PRD, plus HK and Macao, reached 665 billion U.S. dollars, an increase of 41 percent from 2006, when the region's GDP stood at 472 billion U.S. dollars, according to the report.

Based on the World Bank's 2008 GDP ranking, the region's GDP is well ahead of countries including Poland, Indonesia, Belgium, Sweden, Switzerland and Saudi Arabia. While the region's GDP per capita had increased from 8,787 U.S. dollars in 2006 to 12,039 U.S. dollars in 2008, it said.

Galpin said the relations between HK and Guangdong had evolved into a very important relationship in the last 30 years.

In the late 1970s, when the mainland began to open up, Hong Kong businessmen were the first to move their manufacturing bases just over the border in cities like Shenzhen and Dongguan. It marked the beginning of a much closer business relation between HK and Guangdong.

And now, Hong Kong is one of the most service-oriented economies in the world, with over 90 percent of its gross domestic production coming from such service sectors as banking, air transport, financial markets and assets management, real estate, retail as well as import and export trades.

Galpin said he saw much more complementarities than competition between Hong Kong and Guangdong.

- More Macao residents concerned about inflation: survey (13<sup>th</sup> July)  
(Xinhua) -- The latest results of a consumer confidence survey indicated that Macao residents' confidence in prices of goods has dropped significantly in the second quarter, a

sign that lots of the people were facing stronger inflation pressure, the Macao Post Daily reported on Tuesday.

The 2010 Second Quarter Consumer Confidence Survey was released on Monday by the Institute for Sustainable Development of the Macao University of Science and Technology (MUST).

According to the survey, local consumer confidence index for the second quarter is still below 100, standing at just 81.2 out of the total 200 points, a slight drop from the 82.79 points in the first quarter.

Analyzed by different indicators, local people's confidence in Macao's economy reached 107.12 points in the second quarter, while the figure for the prices of goods dropped to 54.2, a 9.8- percent decrease from the first quarter.

The indication that people were facing pressure from inflation was getting stronger and the pressure from the continuous rise of the prices of goods was already impacting on people's living standards, the daily quoted Liu Cheng Kun, an associate professor of the Faculty of Management and Administration of MUST, as saying.

In addition, local people were also losing confidence in Macao' s living standards, employment and stock investments, but the correspondents of the survey showed increasing confidence in property purchasing.

To address the inflation issues, Macao government previously took three anti-inflation measures to ease the pressures brought up by inflation hike on local people, especially the disadvantaged groups.

- Hong Kong serves as platform for cross-strait RMB exchange (13<sup>th</sup> July)

(Xinhua) -- The arrangement for the exchange, supply and repatriation of renminbi cashnotes with Taiwan will be conducted through the renminbi platform in Hong Kong, with the Hong Kong renminbi clearing bank as the intermediary, said the Hong Kong Monetary Authority (HKMA) on Tuesday.

The RMB clearing bank in Hong Kong will provide RMB cashnote exchange and related services to the Hong Kong branches of eligible Taiwan commercial banks as determined by Taiwan.

These commercial banks' head offices in Taiwan will then provide RMB cashnote exchange services to other authorized financial institutions in Taiwan, for the purpose of serving personal customers locally.

On Tuesday, the People's Bank of China (PBOC), or the central bank, announced that it has authorized the Bank of China (Hong Kong) Limited to provide RMB cashnote clearing service to Taiwan.

To facilitate the operations, the PBOC and the HKMA also signed a memorandum of cooperation on Tuesday. The RMB clearing bank in Hong Kong will also sign a settlement agreement with the Hong Kong branch of the relevant commercial banks soon, said the HKMA.

Welcoming the arrangement, financial secretary of the government of the Hong Kong SAR John Tsang said Hong Kong's established RMB clearing platform was providing a practical arrangement to facilitate cross-strait cooperation on monetary management.

"This also underscores that Hong Kong, as a leading international financial center in the region, can play an important role in and contributes further to cross-strait financial cooperation and development," he said.

- HK stocks advance to two-week high (14<sup>th</sup> July)

(Xinhua) -- Hong Kong shares rose 0.64 percent Wednesday, driving the benchmark index to a two-week high, following Wall Street's rise overnight, led by banking heavyweight HSBC because of renewed optimism over the global economy. But the gains narrowed as investors turned cautious late in the session ahead of Thursday's issuance of China economic data.

The benchmark Hang Seng Index rose 129.72 points to 20,560.81, its highest close since June 28, after reaching an intraday high of 20,722.22 during the early afternoon session.

The Hang Seng China Enterprises Index of Hong Kong-listed shares of Chinese companies climbed 0.3 percent to 11,656.61.

Market volume rose to 54.81 billion HK dollars from 47.28 billion HK dollars on Tuesday.

Upbeat second-quarter earnings figures from the U.S. and easing concerns over a global economic slowdown boosted HSBC, which rose 2.2 percent to 75.55 HK dollars.

Lenovo Group Ltd., one of China's largest personal-computer maker, gained 3.2 percent after the results from U.S.-based chipmaker Intel. Esprit Holdings Ltd., a global fashion retailer, climbed 3.6 percent. BOC Hong Kong (Holdings) Ltd. jumped 4.3 percent to 18.52 HK dollars, the most in the Hang Seng Index, after the bank was appointed to offer yuan cash settlement services to Taiwan banks operating in Hong Kong.

Technology companies in Hong Kong were supported by Intel Corp' s second-quarter results that came in well above analysts' estimates. Semiconductor-wiring machines maker ASM Pacific jumped 4.2 percent to 64.85 HK dollars.

Chinese herbal shampoo maker Bawang International tumbled 14.1 percent to 5.05 HK dollars, after Hong Kong's Next Magazine reported that the company's herbal shampoos contain traces of dioxane, an industrial solvent that may cause cancer. The company halted the trading of its stock before the start of the afternoon session to clarify the Next report.

- Macao's forex reserves reach \$20.42 bln in June (15<sup>th</sup> July)

(Xinhua) -- The preliminary estimate of Macao Special Administrative Region's foreign exchange reserves amounted to 163.7 billion patacas (20.42 billion U.S. dollars) at the end of June 2010, the Monetary Authority of Macao said Thursday.

The reserves for June rose by 3.4 percent from 158.3 billion patacas (19.72 billion U.S. dollars) for the previous month, and, when compared with a year earlier, the reserves increased by 15.3 percent, the agency said.

Macao's foreign exchange reserves at the end of June 2010 represented 32 times the currency in circulation at the end of May 2010.

The trade-weighted effective exchange rate index for the pataca, a gauge of the domestic currency's exchange rates against the currencies of Macao's major trading partners, rose by 0.50 points month-to-month and 1.74 points year-on-year to 92.29 in June 2010, the Monetary Authority said.