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National report

Political front

- Groups urge KMT to further cooperation, reconciliation with mainland (4th October)

(Xinhua) -- Taiwan-based groups called on the Kuomintang party to further cooperation and reconciliation with the mainland on Sunday.

The call was made by Chi Hsing, chairwoman of the Alliance for the Reunification of China, at a dinner party attended by about 300 representatives from various social groups in Taiwan.

She expressed hope that the Kuomintang could take the opportunity of the ever more frequent trade exchanges with the mainland and the overall amity between the two sides to seek further cooperation and reconciliation.

She also expressed hope that the two sides could end the hostility so that people from both sides across the Taiwan Strait could share the glory of the rejuvenation of the Chinese nation.

Yok Mu-ming, chairman of the New Party, also delivered a speech at the gathering.

The dinner party was held to celebrate three anniversaries which all fall in October, including National Day of the People's Republic of China, the 1911 Revolution led by Dr. Sun Yat-sen, and the end of the Japanese rule over Taiwan on Oct. 25, 1945.

- CPC urges openness in Party affairs at grassroots organizations (8th October)

The General Office of the Communist Party of China (CPC) Central Committee Friday issued a circular calling for the publication of Party affairs at grassroots organizations.

"Intra-Party democracy is the Party's life, and openness in Party affairs is an essential part of intra-Party democracy," said the document.

The circular said openness in Party affairs meant "content, procedures and results regarding Party affairs" should be published within certain Party organizations.

Publishing Party affairs in grassroots organizations was an important move to expand democracy within the Party at grassroots levels, safeguard the democratic rights of Party members and strengthen intra-Party supervision and regulate the use of power, said the document.

It was also necessary to expand channels for CPC members to express opinions and to build a favorable environment for democratic discussion and supervision in the Party, according to the circular.

The document encouraged Party members to participate more in Party affairs by expressing their ideas.

Source: Xinhua

- China to strengthen quality control on armament (8th October)

(Xinhua) -- China will reinforce control and supervision over the quality of weapons and military equipment, according to a new regulation published Friday.

Premier Wen Jiabao and Chairman of the Central Military Commission Hu Jintao signed a decree to publish the new regulation.

The regulation also governs the quality controls on raw materials, computer software and accessories used in armaments.

The regulation asks organizations in charge of the evaluation, research, production, trial and maintenance of armaments to establish and strengthen effective quality control systems to ensure all armaments meet standards.

Armaments producing organizations should keep accurate and complete records on product quality, the regulation says.

Advanced technology and management methods to boost quality are encouraged, and organizations and individuals who make outstanding contributions in such work will be granted honor and awards, the regulation says.

The new regulation, which will take effect from Nov. 1, replaces the previous regulation adopted in 1987.

- Senior CPC official urges crackdown on corruption in government works (8th October)

(Xinhua) -- A senior anti-corruption official of the Communist Party of China (CPC) has called for serious investigations and harsh penalties to root out corruption in government-contracted construction projects.

Preventive efforts and improved laws and regulations were needed to avoid corruption in the construction sector, said He Yong, deputy secretary of the CPC's Central Commission for Discipline Inspection.

He made the remarks Friday at a working conference of the leading group dealing with problems of rule violations in government-invested construction projects.

The power-for-money deals behind the violations should be carefully and thoroughly dealt with, He said.

He also called for better transparency and a more market-oriented approach in such projects.

Foreign relations

- New spat over bill increases stress on US-Chinese relations (1st October)
DEUTSCHE WELLE

A new US lawmakers' bill aimed at exerting pressure on China's currency policy has stirred up fresh tension between the two economic superpowers, but commentators believe the effect on the wider conflict will be minimal.

If international commentators are to be believed, US-Chinese relations are slowly pushing the world into a crisis. The argument goes that China's rapidly-increasing consumption of oil and energy will put its interests into direct competition with those of the US in the world's conflict areas, particularly the Middle East.

Up until the late 1990s, China was able to rely on domestic resources for the lion's share of its oil supply, but the country's ever-increasing oil thirst meant that by 2009, it had to import some 4.8 million barrels a day - more than half of its 8.6-million-barrel-consumption.

The US Department of Energy now predicts China will overtake the US as the world's leading oil importer around 2030 - just as it became the world's biggest energy consumer in 2010. This will almost inevitably lead to China becoming more involved in power struggles with the US over oil-rich troubled regions.

The first rounds of the political conflict are seemingly already evident. US efforts to impose ever-tougher sanctions on Iran have been frustrated by Chinese moves to protect its energy deals with that country, and similarly China recently lent \$20 billion (14.7 billion euros) to Venezuela's oil industry, giving that inveterate US bugbear President Hugo Chavez a timely boost.

Protectionism accusations

The latest evidence of mounting difficulties between the two countries came this week, when the US House of Representatives passed a bill targeting China for allegedly manipulating its currency. The bill, which many analysts say is unlikely to become law, is aimed at pressuring Beijing to let its currency - the yuan, also called the renminbi - rise faster by branding it in violation of world trade rules.

Jonathan Holslag, research fellow at the Institute of Contemporary China Studies (BICCS), says this is significant. "It's a very important political signal for the Chinese that the limits of American patience have been reached with regard to the trade deficit," he told Deutsche Welle. "But I'm not sure this bill will have an impact on bilateral trade."

Andrew Small, transatlantic fellow at the German Marshall Fund of the United States, also believes that the consequences of this particular spat will not be great, but it is an illustrative row. "It's unlikely to determine the actions, but it reflects the mood," he told Deutsche Welle. "And the willingness of the US administration to engage with the legislation does suggest they do need additional leverage on these issues."

China's response to this very provocative bill has been surprisingly restrained. The Beijing government issued a statement Thursday saying that it "firmly opposes" the bill, but Chinese Foreign Ministry spokeswoman Jiang Yu used relatively measured language at a regular news briefing. "Using the renminbi exchange rate issue as an excuse to engage in trade protectionism against China can only harm China-US trade and economic relations, and will have a negative effect on both countries' economies and the world economy," she said.

Conciliatory notes

There are several reasons why China's response might have been fairly controlled, thinks Holslag. "Of course the Chinese at this moment feel a bit beleaguered from all sides," he said. "They had a recent spat with Japan [over the arrest of a Chinese fishing boat captain], and it has several economic frictions with other neighboring countries. I think the leadership of the Communist party does not want to turn China into a completely isolated power."

To balance out events in Congress, the US military suddenly found itself playing the dove this week, announcing a resumption of military ties with China after a 10-month break. The Pentagon said that the Pacific nations would meet about safety and

communications issues at sea at an October meeting in Hawaii, followed by defense talks later in the year in Washington.

"It's a trade-off for China," said Holslag. "There is huge pressure on the Chinese leadership to be strong on China's key economic interests, but Chinese politicians also realize they need to take into account the expectations of other countries if they want to continue to tap the global economy."

Bi-polar approach

There is a similarly bi-polar approach in China's foreign energy policy, Holslag believes. "On the one hand, they see the need for an open energy market, but on the other hand there are powerful lobbies for state support of national oil companies in securing equity projects overseas," he said.

But to what extent this will lead to conflicts with US interests in the Middle East is difficult to speculate. "China will also see the need to maintain security, but it also recognizes that it cannot bear the entire burden by itself. This almost inevitably requires cooperation with other powers such as the United States," Holslag said.

And yet, such synergies are often impeded by a very deep-seated, traditional distrust between the two countries. "Many Chinese experts and officials argue that it will be very difficult to cooperate on energy security in areas like the Middle East, Central Asia and Africa, as long as the United States continues to prepare what they call a new containment policy in eastern Asia," says Holsag. "I'm sceptical that even though there is this interdependence, it might not translate into tangible cooperation."

"In a number of areas China is pushing out, and the US is pushing back," concludes Small. "It's a bit volatile at the moment."

<http://www.dw-world.de/dw/article/0,,6062640,00.html>

- China, Greece ink 13 deals, agree to deepen strategic partnership (3rd October)

China and Greece on Saturday clinched a series of deals and agreed to further deepen their comprehensive strategic partnership as Chinese Premier Wen Jiabao is paying his three-day official visit to Greece.

Wen held talks with Greek Prime Minister George Papandreou after his arrival here earlier Saturday.

The Greece visit, the first stop of Wen's four-nation tour, is the first by a Chinese premier in 24 years.

Wen and Papandreou attended the signing ceremony of 13 deals after their talks, which covered areas concerning cooperation in maritime transportation, loan, telecommunication, export and cultural exchanges.

The two countries also issued a joint statement on deepening their comprehensive strategic partnership.

Premier Wen also announced a package of measures that China will take to help the sovereign debt-ridden European country.

"China will try its best to support the eurozone countries, and support Greece to overcome the financial crisis and realize economic recovery and healthy development of fiscal policy," Wen told reporters after the talks.

Wen said China has bought and is now holding Greece's treasury bonds, and will continue to "take positive attitude to participate in the purchase of Greece's new treasury bonds."

He said China will also increase import from Greece.

"I believe that, after joint efforts, it is realizable for trade volume between the two countries to double and reach the goal of 8 billion U.S. dollars," said Wen.

Wen said China will set up a special fund on China-Greece shipping cooperation, with the initial part of 5 billion dollars, in a bid to promote cooperation on maritime transportation between the two countries.

"China encourages more competitive companies to invest in Greece," said Wen.

The four-nation visit, lasting till Oct. 9, will also take Wen to Belgium, Italy and Turkey. Wen will also attend the 8th Asia-Europe Meeting (ASEM) and the 13th China-European Union (EU) summit in Brussels from Oct. 4 to 6.

Source: Xinhua

- Wen says China committed to advancing ties with EU (4th October)
Chinese Premier Wen Jiabao said here on Sunday that China is committed to advancing China-Europan Union (EU) relations which is not an expediency but a long-term strategic policy.

"China-EU relations are now at a new historical starting point with broad space for further growth. It should be our shared objective to push forward the China-EU comprehensive strategic partnership and step up all-dimensional cooperation," Wen said in a speech at the Greek parliament.

CHINA SUPPORTS STABLE EURO

Wen said that China supports a stable euro and is ready to strengthen cooperation with the EU.

"China will not reduce its euro-bond holdings and China supports a stable euro," Wen said.

After some European countries suffered sovereign debt crisis earlier this year, Wen said, the Chinese government announced many times that Beijing firmly supports the measures

adopted by the EU and the International Monetary Fund.

Wen said, thanks to joint efforts China-EU trade has already exceeded the pre-crisis level.

Politically, Wen said, "China-EU relations have made three big leaps forward: from constructive partnership to comprehensive partnership and then to comprehensive strategic partnership."

Economically, he said, the EU has been China's largest trading partner for six consecutive years, while China has risen to be the EU's second largest trading partner.

Culturally, Wen said, China has signed numerous cultural exchange agreements with many EU countries and the impact of cultural exchanges, both bilateral and multilateral is far-reaching. "Nearly 200,000 Chinese students are now studying in Europe and each year over 1 million Chinese tourists come to visit Europe," he said.

"China-EU relations have reached unprecedented breadth and depth and the two sides have become indispensable partners in each other's development endeavor," the premier said.

The steady development of China-EU relations, Wen said, boosts friendliness between the Chinese and European peoples and also brings practical benefits to both sides.

Committed to a win-win strategy of opening-up, Wen said, China will further improve its investment environment, better protect intellectual property, expand trade and investment with Europe and raise the level of technological cooperation.

China hopes the EU recognizes "China's full market economy status as soon as possible, eases restrictions on high-tech exports to China and rejects trade protectionism so as to foster an environment conducive to the healthy growth of our trade," the premier said.

CHINA REMAINS DEVELOPING NATION

Premier Wen said that China remains a developing nation despite great changes over the past three decades.

"Although China's total GDP and external trade are among the largest in the world, the basic reality about China -- a populous country with a weak economic foundation and uneven development -- has not changed," Wen said.

China's per-capita GDP is only one eighth of Greece's, the number of poor people in China is more than three times that of Greece's entire population and the vast countryside and interior are still underdeveloped, he said.

China still has a long way to go to completely change its backwardness, he said, adding that China needs a peaceful and stable external environment and closer cooperation with

other

countries.

China will remain on the path of peaceful development, endeavor to foster a peaceful international environment for its own development and at the same time contribute to world peace through its own development, Wen said, adding that China's increasing prosperity will bring benefits to the whole world.

CHINA READY TO INTENSIFY COOPERATION WITH GREECE

Wen said China is ready to intensify cooperation with Greece and help the European country tide over its current difficulties at an early date.

"We applaud the efforts taken by the Greek government to tackle the international financial crisis and the debt crisis. And we support the measures taken by the European Union and the International Monetary Fund in this regard," Wen said in the speech.

The premier said: "We hope that by intensifying cooperation with you, we can be of some help in your endeavor to tide over difficulties at an early date."

Since the beginning of this year, the two countries have signed 20 cooperation agreements and business contracts, he said, adding that the Greek exports to China in the first half of this year doubled year on year.

Wen suggested that the two countries expand cooperation in four fields.

China and Greece, he said, should broaden bilateral trade, actively explore new areas of trade, and strive to double their bilateral trade volume to 8 billion U.S. dollars in five years.

China would like to import more products that meet the demand of the Chinese market, such as olive oil and wines, so as to "make our bilateral trade not only bigger, but also more balanced," he said.

The two countries should deepen maritime cooperation as well, Wen said, adding that China will work with Greece to manage well the Piraeus Container Terminal and increase its capacity to 3.7 million TEUs by 2015. TEU stands for 20-foot equivalent unit.

China encourages its businesses to conduct logistic cooperation with Greece and its financial institutions to provide financing services for small- and medium-sized Greek shipowners for the building and repair of ships in China, he said.

China also supports the establishment of a research center on emission reduction and energy conservation of ships, the premier said, noting that these measures would give a boost to bilateral cooperation on navigation safety and exhaust emissions reduction of ships.

China and Greece should promote investment cooperation, Wen said, adding that the two nations should push forward trade and investment facilitation and create better conditions for cooperation between their enterprises.

China encourages its enterprises to set up businesses in Greece and would like to send a trade and investment promotion group to Greece as early as possible to seek cooperation projects in infrastructure and new energy sources, he said.

The premier also called on China and Greece to expand tourism cooperation. China welcomes greater tourism promotion efforts by Greece in China and hopes to jointly explore measures to facilitate tourism cooperation, he said.

At his meeting with Greek President Karolos Papoulias, Wen said he had witnessed the Greek government and people's unremitting efforts in coping with the challenges of the international financial crisis, expressing his belief that Greece could definitely overcome the temporary difficulties and make new development.

Papoulias, for his part, said Greece admires China's achievements in economic and social development, and its positive role in promoting world peace and development.

He voiced his belief that bilateral friendly cooperation would expand into deeper and wider fields and benefit the two peoples.

Also on Sunday, Wen met leader of Greece's New Democracy party Antonis Samaras.

Wen arrived in Athens Saturday on a three-day official visit to the European country, the first by a Chinese premier in 24 years.

Source: Xinhua

- Wen says China willing to be "good partner" of Greece (4th October)
Visiting Chinese Premier Wen Jiabao said on Sunday that China is willing to be a good friend and partner of Greece.

"The China-Greece friendship and cooperation have gone through tests, and are facing a bright future," Wen said during meeting with Greek President Karolos Papoulias.

"China is willing to be a good friend and partner of Greece forever, move forward hand in hand, and accomplish common development," Wen said.

The premier said he witnessed the Greek government and people's unremitting efforts in coping with the challenges of the international financial crisis.

Wen also expressed his belief that Greece could definitely overcome the temporary difficulties and make new development.

Papoulias, for his part, said Greece admires China's achievements in economic and social development, and its positive role in promoting world peace and development.

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Also on Sunday, Wen met leader of Greece's New Democracy party Antonis Samaras.

Wen arrived in Athens Saturday on a three-day official visit to the European country, the first by a Chinese premier in 24 years.

Source: Xinhua

- China and Japan agree to mend fences (5TH October)

The leaders of China and Japan have promised to rebuild their strained ties at a meeting on the sidelines of the ASEM summit in Brussels.

The summit meeting of European and Asian leaders provided an opportunity for Japan's Prime Minister Naoto Kan and his Chinese counterpart Wen Jiabao to briefly meet and talk after dinner on Monday.

Afterwards, both sides stressed the "mutual benefits" of the relationship and confirmed they had agreed to resume "high-level" talks to normalize their ties. But they did not give any details.

Both sides stick to position on disputed islands

Signaling that their recent dispute was far from over, both men also reiterated their respective country's claims to the disputed islands in the East China Sea, known as Senkaku in Japanese and Diaoyu in Chinese.

Taiwan also claims the islets, which are believed to have oil and gas deposits. On September 8, Japan arrested a Chinese fishing trawler captain after his boat collided with two Japanese patrol vessels near the islands, which are de facto under Japanese control.

China later arrested four Japanese for allegedly filming Chinese military installations, which added to the tension, although it was claimed that the two incidents were unrelated. Three of the four Japanese nationals have been released, whereas one remains in Chinese custody.

The worst dispute between the two neighbors in recent years was only defused when Japan released the Chinese skipper; but ever since, Naoto Kan has had to face massive protests by conservatives in Japan for giving in to Chinese pressure.

<http://www.dw-world.de/dw/article/0,,6080493,00.html>

- Japan expecting to improve ties with China: top gov't spokesman (5th October)
Japan's top government spokesman said Tuesday that Japan is expecting to improve relations with China.

"Promoting a strategic, mutually beneficial relationship and improving ties between Japan and China will be positive not only for the two countries but also for other Asian countries or countries around the world, especially for their economies," said Chief Cabinet Secretary Yoshito Sengoku at a regular press conference in Tokyo.

Sengoku made the remarks after Japanese Prime Minister Naoto Kan held talks in Belgium with Chinese Premier Wen Jiabao on the sidelines of the eighth Asia-Europe Meeting (ASEM) Summit.

During the talks with Kan Monday, Wen reiterated that the Diaoyu Islands have been Chinese territory since ancient times.

He pointed out that it serves the fundamental interests of both countries and peoples to protect and advance the China-Japan strategic relationship of mutual benefit.

The two sides agreed to step up people-to-people exchanges and intergovernmental communications and hold a high-level meeting at an appropriate date.

China-Japan relations have been soured recently after the Japanese Coast Guard illegally seized a Chinese fishing boat and detained the crew on Sept. 8 in waters off the Diaoyu Islands in the East China Sea.

Japanese authorities insisted on performing a so-called domestic judicial procedure against the crew despite strong protests from the Chinese government and public. The crew and the boat were released later.

Source: Xinhua

- Premier Wen reiterates Diaoyu Islands Chinese territory (5th October)
Chinese Premier Wen Jiabao told Japanese Prime Minister Naoto Kan on Monday that the Diaoyu Islands are an inherent part of the Chinese territory.

"The Diaoyu Islands have been Chinese territory since ancient times," Wen stressed during the conversation held on the sidelines of the Asia-Europe Meeting (ASEM).

He pointed out that it serves the fundamental interests of both countries and peoples to protect and advance the China-Japan strategic relationship of mutual benefit.

The two sides agreed to step up people-to-people exchanges and intergovernmental communications and hold a high-level meeting at an appropriate time.

Wen arrived here for the ASEM after concluding his visit in Greece earlier in the day. He is also to attend the a China-EU summit in Brussels and then continue his four-nation visit which will also take him to Italy and Turkey.

Source: Xinhua

- Premier Wen reaffirms Chinese positions on global issues at ASEM (6th October)
Premier Wen Jiabao reaffirmed Chinese positions and perspectives on issues such as strengthening global financial and economic regulation and promoting sustainable development at the eighth Asia-Europe Meeting (ASEM) held on Monday and Tuesday.

Wen said currently the world economy sees slow recovery but still faces great uncertainty.

All countries should continue to prioritize consolidating the momentum of the economic recovery and maintain proper macroeconomic policies. They should also take prudent and sound approach to decide when and how fast they should apply the exit policy, Wen said.

The ASEM members should enhance cooperation to strengthen global financial and economic regulation, tackle the root cause of the international financial and economic crisis and promote the vigorous, sustainable and balanced growth of the world economy.

China will continue to support the European countries beset with the sovereign debt crisis and help them overcome the difficulties, the premier said.

Wen said the Chinese government has always paid great attention to the global warming issue.

Under the extremely difficult circumstances of the global financial crisis, the Chinese government is still working hard and this year China is expected to fulfill the basic target of reducing energy consumption per unit of gross domestic product, he said.

China is willing to continue to provide support in its capacity for other developing countries on fighting global warming within the frameworks of South-South cooperation and bilateral cooperation, he said.

Beijing will, as always, play a positive and constructive role to work together with other countries for comprehensive, balanced and binding results at a major conference on climate change scheduled for later this year in Cancun, Mexico, Wen said.

The premier said currently global issues such as energy and food security, natural disaster, terrorism and piracy pose a serious threat to the economic development and social stability in Asia and Europe.

Countries should join hands to tackle food security, a pressing task that needed to be

solved as a top priority, Wen said.

Therefore, Wen said, countries should make every effort to raise grain production, which was the key to solving food security, strengthen agricultural policy coordination, consistently improve agricultural products trade environment, actively push forward exchange and cooperation in agricultural science and technology, try hard to boost the capability in preventing and fighting natural disasters and enhance food assistance to developing countries that suffer from food shortage.

Source: Xinhua

- Chinese premier hopes for early resumption of six-party talks (6th October)

China expected an early resumption of the six-party talks to ease tensions and resolve the nuclear issue on the Korean Peninsula, Chinese Premier Wen Jiabao said here on Tuesday.

All parties should make joint efforts to ease tensions between the south and the north on the peninsula and strive to resume the six-party talks at an early date, said Wen while meeting South Korean President Lee Myung-bak on the sidelines of the eighth Asia-Europe Meeting (ASEM) Summit in Brussels.

"This is in the fundamental interests of all parties involved and is conducive to peace and stability in the region," he said.

The six-party talks, a multilateral mechanism designed to peacefully denuclearize the Korean Peninsula, were launched in 2003. The talks involve China, the Democratic People's Republic of Korea (DPRK), Japan, South Korea, Russia and the United States.

Speaking of the upcoming Group of 20 (G20) Seoul Summit, slated for Nov. 11-12, Wen said it was of great significance for boosting the world economic recovery, adding that China would support South Korea in seeking positive outcomes at the meeting.

Wen said China regards South Korea as a friendly neighbor and an important partner. It also cherished the hard-won mutual understanding and trust between the two countries, believing the bilateral ties could withstand tests and continue to develop.

China would also work with South Korea to boost cooperation in East Asia, Wen added.

Lee appreciated China's support for Seoul G20 summit, saying his country would keep working with China to improve bilateral ties and play an active role in safeguarding peace and stability as well as deepening cooperation within the region.

Source: Xinhua

- China urges UN to focus on achieving anti-poverty goals (6th October)

A senior Chinese diplomat on Tuesday called on the United Nations to give priority to the implementation of a set of anti-poverty goals that the world has agreed to achieve by 2015.

"The next five years will be a critical stage for the achievement of the development goals," said Wang Min, China's deputy permanent representative to the United Nations, at a General Assembly session.

"The United Nations should give priority to the on-time achievement of the Millennium Development Goals (MDGs) and establish MDG assessment mechanism as soon as possible," said Wang.

The world body should strengthen a "sense of urgency and responsibility" and work hard to ensure that this task will not be disrupted or delayed, he said.

Wang said that the United Nations should push the developed countries to effectively honor their commitments, assume the main responsibility for assisting developing countries and provide developing countries with long-term, stable and predictable financial support.

The United Nations should focus on helping Africa to develop and eliminate poverty, and intensify support for the least developed countries, he said.

China will continue to support the United Nations in its efforts to promote the development agenda and make great contribution to the early achievement of the MDGs for mankind, he said.

On climate change, Wang said that in order to promote a positive achievement at the forthcoming UN climate change conference in Cancun, Mexico, it is necessary to uphold the basic framework of the UN Framework Convention on Climate Change, the Kyoto Protocol and the mandates of the Bali roadmap.

Turning to UN reforms, Wang said that China supports the United Nations in carrying out necessary and rational reforms so as to better perform the duties given by the United Nations Charter.

"UN reforms should be all-dimensional and multi-sectoral," he said. "It is especially necessary to focus on increasing inputs in the development areas of concern to developing countries, ensure development resources, strengthen development institutions and promote the on-time achievement of the MDGs so as to benefit developing countries at large."

Source: Xinhua

- Chinese minister addresses int'l conference on security (7th October)

Meng Jianzhu, the Chinese State Councilor and Public Security Minister, has recommended several ways, including improved dialogue, for countries to improve their international security cooperation.

Meng, speaking Tuesday at a high-level international security conference here, expounded on the firm positions and measures China has adopted in tackling such global challenges as terrorism and transborder crimes.

He urged the conference participants from more than 40 countries to enhance their strategic trust and actively engage in international security cooperation for the sake of global stability and prosperity.

The suggestions Meng offered included reinforcing strategic dialogue via bilateral and multilateral channels and coordinating policies on anti-terrorism efforts.

Meng also called for the establishment of a global monitoring and early-warning mechanism. He said he believed it necessary for countries to cooperate on intelligence exchanges, investigations, and security at major events.

Participants at the two-day forum discussed, among other things, challenges to sustainable development posed by natural and technical disasters, and the interrelations between transborder crimes such as terrorism, drug trafficking and illegal arms dealing.

The participants all voiced willingness to reinforce global security cooperation to face new challenges and threats and reached consensus on enhancing dialogue and cooperation between law enforcement agencies.

Source: Xinhua

- Officials say cultural forum bridges China, EU (7th October)

The first China-European Union (EU) High-Level Cultural Forum serves as a bridge between the two sides, European Commission President Jose Manuel Barroso said Wednesday.

"In the past 35 years, we have built a strong partnership," Barroso said at the opening ceremony. "We need a bridge between our culture and our people that will help us understand and learn from each other.

"The forum provides that bridge," he said.

Chinese Premier Wen Jiabao said at the ceremony that "the forum symbolizes a great step in our interactions."

Culture, he said, is a bridge that connects people's hearts and minds and creates a bond between countries.

Androulla Vassiliou, the European Commission member responsible for education, culture, multilingualism and youth, said Europe and China share common goals.

"We both want peace and prosperity for the people of our countries and the rest of the world," she said. "Our cultural richness uplifts and unites us. In a globalized world, our cultural diversity is an asset, not an obstacle. It makes our lives richer and helps us grow and live in harmony with one another."

The forum opened in Brussels on Wednesday in the margins of the 13th China-EU Summit.

The forum is an initiative agreed during the previous summit in Nanjing, China, in November 2009, where attending leaders decided to hold an annual high-level cultural forum in Europe and China alternately.

The two-day forum brought together about 60 scholars and artists from China and the EU to discuss the values and concepts that have built the two civilizations.

Source: Xinhua

- Chinese pull back in islands dispute (7th October)

CHINESE patrol boats prowling the seas around the disputed Senkaku Islands appear to have been recalled by Beijing.

This appeared to be a new sign of a thawing in relations between Japan and China.

Japan's chief cabinet secretary, Yoshito Sengoku, announced yesterday that the vessels, which have been sailing for more than a week near the chain of Japanese-administered islets, were now headed back to China.

The apparent breakthrough came after Japanese Prime Minister Naoto Kan and Chinese Premier Wen Jiabao had a 25-minute discussion on the sidelines of an international forum in Brussels on Tuesday.

The two men agreed to work towards repairing bilateral ties, although neither side made any concession to their claims on the islands, which lie atop a large oil and gas deposit.

The conflict erupted on September 7 when Japan arrested a Chinese trawler skipper suspected of illegally fishing in waters around the islands and charged him with maritime and fisheries offences, before releasing him amid a furious reaction from China.

Mr Sengoku, the government's main spokesman, said one of the patrol boats left the zone at 3am and the other at 5am. He did not know whether their departure was in any way influenced by Mr Kan's talks with Mr Wen.

There is some hope that Mr Kan and Mr Wen will hold further talks this month. South Korean President Lee Myung-bak's office said it was hoped Mr Wen would join a summit with Japan and South Korea in Vietnam.

Mr Lee proposed a trilateral meeting on the sidelines of the Association of Southeast Asian Nations summit in Hanoi and Mr Wen responded that he viewed the proposal positively, the office said.

Despite the signs of reduced tensions, Mr Sengoku repeated the government's stance on the Senkakus, saying "there is no doubt" they were an integral part of Japanese territory "historically and under international law".

He said Japan would maintain vigilance over maritime activities around the country.

<http://www.theaustralian.com.au/news/world/chinese-pull-back-in-islands-dispute/story-e6frg6so-1225935092885>

- China angry at dissident Liu Xiaobo's Nobel Prize award (8th October)

China has angrily condemned the decision to award the Nobel Peace Prize to jailed Chinese dissident Liu Xiaobo.

The Beijing government summoned the Norwegian ambassador in protest. It called Mr Liu a "criminal", said the award violated Nobel principles and could damage relations with Norway.

The Norwegian Nobel committee said Mr Liu was "the foremost symbol" of the struggle for human rights in China.

The US and other Western countries have called for his immediate release.

Mr Liu, 54, was a key leader in the Tiananmen Square protests in 1989.

Last year he received an 11-year sentence for "inciting subversion" after drafting Charter 08 - which called for multi-party democracy and respect for human rights in China.

Announcing its 2010 peace prize in Oslo, the [Nobel Foundation](#) said: "Liu has consistently maintained that the sentence violates both China's own constitution and fundamental human rights."

It praised Mr Liu for his "long and non-violent struggle" and highlighted its belief in a "close connection between human rights and peace".

The citation described him as "the foremost symbol of this wide-ranging struggle for human rights in China".

Beijing quickly condemned the award, saying it could damage China-Norway relations.

Foreign ministry spokesman Ma Zhaoxu said: "Liu Xiaobo is a criminal who violated Chinese law. It's a complete violation of the principles of the prize and an insult to the peace prize itself for the Nobel committee to award the prize to such a person."

Later Norway said its ambassador in Beijing had been summoned to the Chinese foreign ministry.

"They wanted to officially share their... disagreement and their protest," a Norwegian spokeswoman said.

"We emphasised that this is an independent committee and the need to continue good bilateral relations," she added.

<http://www.bbc.co.uk/news/world-asia-pacific-11505164>

- Clean energy cooperation would be 'win-win' (8th October)

Clean energy cooperation with China will not result in job losses in the United States, as there is sufficient proof to indicate that around 73 percent of direct jobs created through the development of the energy sector stay on US soil, according to a report released Wednesday by the international advisory firm Garten Rothkopf.

The partnership has the potential to not only generate jobs in both nations but also provide a foundation for sustained economic growth and further opportunities, according to the report entitled Anatomy of a Partnership: Benefits of US-China Private Sector Cooperation in the Power Sector.

In a speech at the Woodrow Wilson Center during the release of the report, US Commerce Secretary Gary Locke said he believed clean energy cooperation between China and the US was a win-win effort and that the ties would continue to strengthen. "In no area is that win-win situation more clear than in the energy sector," he said.

"But some have suggested that the race for those jobs (green jobs) is a zero-sum game, saying clean energy technology development in China could be detrimental to the US," he added. "The report indicates the opposite; that the cooperation in clean energy could create hundreds of millions of new jobs in the US and in China."

Locke led a trade delegation of US companies to China in May to promote clean energy ties as part of Washington's efforts to double exports and create two million jobs within five years.

The two major economies account for 42 percent of global energy demand and share similar challenges, such as a growing need for investment in the power infrastructure, the reduction of CO2 emissions and continued dependence on coal-based power generation.

Seven programs on clean energy, which were announced by Chinese President Hu Jintao and US President Barack Obama during their 2009 Beijing summit, have resulted in significant partnership opportunities in many aspects of clean energy development, including research, technology, manufacturing, regulatory policy and low carbon-development strategies.

Yet, there are serious concerns in the US about this cooperation. Many Americans worry that China's growing industrial base for wind and solar power equipment threatens the US' own potential to create new jobs in these sectors.

On Sept 9, the United Steelworkers' union asked the Obama administration to investigate Chinese policies and practices it said threatened to unfairly garner US clean energy jobs.

The union accused China of trying to dominate the clean energy sector by providing government subsidies and using regulations to discriminate against foreign firms and

goods.

Earlier, the New York Times reported that aggressive government policies give Chinese wind and solar manufacturers greater advantages and those practices risk breaking international rules.

"The common misconception is that US-China partnerships result in US jobs going overseas," said Jim Rogers, CEO of Duke Energy, one of the largest electric power companies in the US.

"This study demonstrates that for the power sector, new and high paying jobs will be created in both countries - wherever new infrastructure is built, no matter where the technology is developed. We are smart enough to cooperate and compete at the same time."

The report, perhaps the first to assess the job creation consequences and related economic effects of Sino-US collaboration in the energy field, has found significant potential for shared benefits converting coal to gas, carbon capture, solar photovoltaic cell manufacturing and installation, and smart grid development.

Source:China Daily

- Chinese premier calls for closer ties with Italy (8th October)

Chinese Premier Wen Jiabao said in meetings with Italian parliamentary leaders Thursday that the two countries need to further expand their cooperation and ties.

This year marks the 40th anniversary of the establishment of diplomatic relations between Beijing and Rome, and bilateral ties have now entered a relatively good phase, Wen said in talks with Italian Chamber of Deputies President Gianfranco Fini and Senate President Renato Schifani.

Contributing to the positive development is the fact that the two sides respect each other's major concerns, have launched beneficial cooperation in a flexible and pragmatic way on the strength of their mutually complementary economies, and have enjoyed strong public support, he added.

Stressing that Beijing and Rome have extensive common interests and no conflict of fundamental interests, the premier said both countries should continue respecting, understanding and learning from each other and further expand their cooperation so as to make their bilateral ties closer and more fruitful.

Meanwhile, Wen voiced the hope that the Italian legislature will enhance exchanges with its Chinese counterpart and help push forward China-Italy relations in a sustainable and steady manner.

For his part, Fini said improving relations with China is the consensus of Italy's political

parties and the wish of the Italian public.

Italy is willing to promote bilateral exchanges at different levels, deepen cooperation in politics, economy, culture and other fields and steadily propel bilateral ties forward, he added.

Fini also lauded the contributions the Chinese living in Italy have made to the local socio-economic development and the bilateral friendly communications.

Schifani pointed out that the Chinese premier's visit to Italy will bring bilateral ties to a higher level.

China has made important contributions to countering the global financial crisis and maintaining world peace, stability and development, and China's development offers the world more cooperation opportunities, he added.

Italy is ready to further boost friendly cooperation between the two sides and better defend and promote the common interests of both countries and both peoples, he said.

Wen arrived in Italy on Wednesday after visits to Greece and Belgium and an unscheduled meeting with German Chancellor Angela Merkel in Germany. He will also visit Turkey before returning to China.

Source: Xinhua

- China's Wen in Turkey to open new chapter in ties (8th October)

ANKARA - Chinese Premier Wen Jiabao held talks with Turkish leaders Friday to deepen economic and political cooperation between the two emerging economies as he expressed hope of "turning a new leaf" in ties.

Wen, the first Chinese premier to visit Turkey in eight years, was greeted by Turkish Prime Minister Recep Tayyip Erdogan outside his office before the two leaders went into a meeting that will culminate in the signing of some 10 accords.

"I sincerely hope that this visit will serve to strengthen bilateral political trust, deepen our cooperation based on mutual benefit... and turn over a new leaf in friendly Turkish-Chinese relations," Wen said in a written statement after his arrival in capital Ankara late Thursday. The Chinese premier, however, was also the target of a protest by some 100 Uighur expatriates who gathered outside his hotel to protest China's treatment of the Muslim Turkish-speaking minority in its Xinjiang region, an AFP photographer said.

Police prevented the protestors from approaching the hotel and a shoe hurled by a demonstrator towards Wen's car missed the target.

Turkey accepts China's sovereignty over Xinjiang, but last year, Ankara heavily criticised the deadly violence in the region - which Erdogan described as "atrocities."

Officials say the agreements to be signed later Friday will be in the areas of trade, transport, energy, telecoms and culture.

Turkish Transport Minister Binali Yildirim said one of the accords would entail cooperation in modernising the country's railways, paving the way for the launch of eight projects covering some 4,500 kilometres (2,700 miles) of railroad.

The mass-circulation Sabah daily reported China would also express an interest in grabbing a share in state infrastructure projects such as building metro systems and a third bridge over the Bosphorus Strait that will link the European and Asian shores of the country's biggest city Istanbul.

The Turkish side will focus on ways to attract more direct Chinese investment and rectify the trade volume which is heavily in favour of China, it added.

Trade between the two countries stood at 14.2 billion dollars (\$18.6 billion) in 2009 - 12.6 billion dollars (\$16.5 billion) of which consisted of Chinese exports.

On Saturday, Wen is expected to meet businessmen in Istanbul where he will also hold talks with President Abdullah Gul and tour historical sites before leaving the country.

Analysts say Wen's visit to Turkey underlines Beijing's desire to lure a rising economy that has made a swift exit from the global recession with growth rates of 11.7 percent and 10.3 percent in the first two quarters of the year - a pace that is on par with China and above the G-20 group of leading economies.

"Turkey is a country that China has recently been targeting and focusing on intensely," Sedat Laciner from the Ankara-based USAK think-tank, said.

"China wants to have a strong position in Turkey for both economic and political reasons."

Turkey's growing role in the Middle East and other countries in its environs is also attracting China's attention, Laciner said.

Under Erdogan's Islamist-rooted government in power since 2002, Turkey has greatly boosted ties with countries such as Iran and Syria, under a so-called "zero problems with neighbours" policy.

This policy has led to Western concerns that the sole Muslim member of NATO is sliding away.

Last week, several Turkish newspapers reported that Chinese military planes took part in a training exercise in a Turkish air base in central Anatolia, which some analysts saw as evidence of the shifting axis of NATO's sole Muslim member.

In comments published in the conservative Zaman daily, Turkey's ambassador to China, Murat Salim Esenli confirmed the exercise and said it was Ankara's sovereign right to hold such manoeuvres with countries with which it has extensive technological cooperation.

- Chinese premier meets Turkish president on bilateral ties (9th October)

(Xinhua) -- Chinese Premier Wen Jiabao met with Turkish President Abdullah Gul here Friday on bilateral relations.

Wen said China and Turkey have witnessed frequent high-level bilateral exchanges, steady growth of economic, trade and investment cooperation, and good cooperation in regional and international affairs since the establishment of diplomatic ties between the two countries.

The establishment of a strategic relationship of cooperation, which the two sides agreed upon Friday, is in the fundamental interests of the two countries and the peoples and is beneficial to world peace and development, he said.

Wen said China is willing to work together with Turkey on the implementation of the important consensus and agreements that the two sides have reached to turn a new chapter in bilateral relations.

Gul said Wen's successful visit to Turkey is sure to bring bilateral relations to a new level. He reiterated Turkey's adherence to the one-China policy.

The Turkish president said that he saw great potential in the bilateral economic and trade cooperation and that Chinese enterprises are welcome to be involved in Turkish economic development.

Gul said mutual understanding between the two peoples is very important and he hoped that the two countries will celebrate the 40th anniversary of the establishment of diplomatic ties next year with further expansion of bilateral cultural exchanges and tourism cooperation.

Wen arrived in Turkey Thursday on a three-day official visit at the invitation of Prime Minister Recep Tayyip Erdogan.

- Hu Jintao sends congratulatory message to DPRK's Kim for 65th anniversary of ruling party (9th October)

(Xinhua) -- General Secretary Hu Jintao of the Central Committee of the Communist Party of China (CPC) Saturday sent a congratulatory message to General Secretary of the Workers' Party of Korea (WPK) Kim Jong Il for the 65th anniversary of the party's founding.

"Upon the 65th anniversary of the WPK's establishment, I, on behalf of the CPC Central Committee and in my own name, extend my warm congratulations to the WPK Central Committee," the message said.

The WPK was forged by late Chairman Kim Il Sung, the DPRK people's great leader, and has a glorious revolutionary tradition, it said.

Over a long period, the WPK has led the DPRK people in overcoming difficulties and risks and arduously struggling to continuously make eye-catching achievements in the socialist revolution and construction cause, it added.

"For many years, the WPK under the leadership of General Secretary Kim Jong Il has followed the will of Chairman Kim Il Sung, and led the DPRK people in continuing to positively seek a development path suitable for the DPRK's own situation and has made delightful achievements in the DPRK-style socialist construction cause," the message said.

"As a friendly neighbor, close comrade and sincere friend, we sincerely wish the DPRK people, under the leadership of the WPK headed by General Secretary Kim Jong Il, continuously make new and bigger achievements in the historical process of building a strong and prosperous country," it added.

Economic front

- China-Africa trade to top 100 billion USD again this year (3rd October)

The trade between China and African countries will rebound from a year ago and exceed 100 billion U.S. dollars again this year, according to forecast by the Ministry of Commerce (MOC).

The MOC data showed trade between China and Africa jumped sharply by 65 percent year on year to 61.2 billion U.S. dollars in the first half of this year.

Due to the global economic downturn last year, China-Africa trade fell 14.7 percent from the previous year to 91.06 billion in 2009, compared with 106.8 billion U.S. dollars in 2008, according to the MOC.

The Chinese government supports reputable Chinese enterprises to invest in Africa on the principle of equality, mutual benefit and common development, the MOC said.

More than 1,600 Chinese enterprises are now investing in Africa in the fields of agriculture, mining, processing and manufacturing, infrastructure facilities and commerce, according to the MOC.

The MOC announced in July this year that China would cease levying tariffs on 60 percent of imports from 26 least developed African nations as of July 1 this year.

Source: Xinhua

- India will soon start to outpace China: Economist (5th October) The Times of India

India will soon start to outpace China, thanks to a young and growing workforce and its "much-derided democracy" says The Economist.

The cover story on "How India's growth will outpace China's" in its latest issue attributes "India's surprising economic miracle" largely to its private sector saying, "the country's state may be weak, but its private companies are strong."

Despite the poor headlines generated in the run up to the Commonwealth games, "India is doing rather well," the internationally regarded magazine said noting, "Its economy is expected to expand by 8.5 percent this year."

"It has a long way to go before it is as rich as China - the Chinese economy is four times bigger- but its growth rate could overtake China's by 2013, if not before.

"Some economists think India will grow faster than any other large country over the next 25 years. Rapid growth in a country of 1.2 billion people is exciting, to put it mildly," it said.

Citing demography as one of the two reasons why India will soon start to outpace China, the magazine noted "China's workforce will shortly start ageing; in a few years' time, it will start shrinking."

"That's because of its one-child policy - an oppressive measure that no Indian government would get away with."

"India is now blessed with a young and growing workforce. Its dependency ratio - the proportion of children and old people to working-age adults - is one of the best in the world and will remain so for a generation," it said.

India's economy will benefit from this "demographic dividend", which has powered many of Asia's economic miracles.

"The second reason for optimism is India's much-derided democracy," said The Economist noting, "Indian capitalism is driven by millions of entrepreneurs all furiously doing their own thing."

"Since the early 1990s, when India dismantled the "licence raj" and opened up to foreign trade, Indian business has boomed."

"Ideas flow easily around India, since it lacks China's culture of secrecy and censorship. That, plus China's rampant piracy, is why knowledge-based industries such as software love India but shun the Middle Kingdom,"

"Given the choice between doing business in China or India, most foreign investors would probably pick China, The Economist said.

<http://timesofindia.indiatimes.com/business/india-business/India-will-soon-start-to-outpace-China-Economist/articleshow/6689962.cms#ixzz11W1vt16L>

- How to fight currency wars with stubborn China (5th October) Financial Times

Has the time for a currency war with China arrived? The answer looks increasingly to be yes. The politics and economics of an assault on Chinese exchange rate policy are increasingly convincing. The idea is, of course, deeply disturbing. But I no longer believe there is an alternative.

We have to address four questions. Is China a “currency manipulator”? If it is, does it matter? What might China reasonably be asked to do? Finally, can other countries shift China’s policies, with limited collateral damage?

The first question is the easiest. If a decision to invest half a country’s gross domestic product in currency reserves is not exchange rate manipulation, what is? Moreover, by sterilising the monetary effects, the Chinese government has also thwarted the [mechanism of adjustment in a fixed-rate regime](#), which was explained by the great Scottish philosopher, David Hume, in the 18th century (see chart below).

Now turn to the second question: does this matter? One answer is that it is a protectionist policy. By keeping its real exchange rate down, China subsidises production of its exports and import substitutes. Since China is now the world’s biggest exporter, this has to be a significant distortion of world trade.

The Chinese current account surplus is far from the only explanation for the US current account deficit. Yet it is also true that China’s currency policies have driven those of other countries; that capital-importing high-income countries are unable to make productive use of the surplus savings of the emerging countries; and that the net flow of funds from the poor to the rich is altogether perverse.

Moreover, if high-income countries such as the US are to have more prudent household sectors and more fiscal discipline, they must either enjoy a big investment boom or a shift into current account surplus. More plausibly, they need both.

Given, in addition, the continued savings surpluses of Germany, Japan and a number of other high-income countries, a return to stable growth in the world economy requires the battered high-income countries, as a group, to move into sizeable current account surplus. China is the most dynamic and solvent emerging country. It also runs the world’s largest current account surplus. If all the offsetting shift towards deficit is in much weaker emerging economies, the ultimate result is likely to be another round of financial crises. Yet China could move today’s current account surplus towards deficit, by \$300bn a year, at negligible risk.

This leads us to the third question: what might China reasonably be asked to do? An adjustment in the nominal exchange rate is neither a necessary nor a sufficient condition for the rebalancing of the world economy: not necessary, because higher inflation could bring about changes in relative prices, instead; not sufficient, because it would still require an increase in domestic spending, relative to output. At most, therefore, an

adjustment in the nominal exchange rate is a facilitator of a wider set of desired adjustments.

Thus the menu of possible options for the Chinese authorities could include a cap on the intervention, an end to sterilisation of the monetary consequences and targets for real domestic demand, household consumption and the current account. Meanwhile, China should demand complementary actions elsewhere, notably in the US.

In any such discussions, one would have to address Chinese concerns that letting the exchange rate appreciate significantly would not only damage export industry, but risk a “lost decade” similar to that of Japan in the 1990s. What happened to Japan was largely the result of using monetary policy after 1985 to offset the negative impact of the rising exchange rate on net exports. Naturally, China does not wish to enter the same trap. But, as Gabriel Stein of Lombard Street Research argues in a paper released in June, the two situations are very different: China has far greater potential for fast growth than Japan did in the late 1980s, because Japan’s GDP per head (at purchasing power parity) was already close to that of the US, while China’s is less than a fifth; and China, above all, has huge potential for higher consumption rates. Aggressive credit expansion is a dangerous way to achieve a permanent rise in domestic spending relative to output. That will also require structural changes in the economy. But these are very much in the interest of the Chinese people.

This leads to the final question: how might China be cajoled or coerced into changing its policies? Negotiation remains a hope. The rest of Group of 20 leading countries should unite in calling for these changes. But if negotiation continues to fail, alternatives must be considered. Import surcharges are one possibility. [Fred Bergsten](#) of Washington’s Peterson Institute called for countervailing currency intervention in the FT this week; and Daniel Gros of the Centre for European Policy Studies in Brussels [recommends capital account reciprocity](#): affected countries could prevent other countries from purchasing their financial instruments, unless the latter offered reciprocal access to their financial markets. This idea would also make the Bergsten plan more effective.

I find ideas for intervention in capital markets far more attractive than those involving action against trade, as the US House of Representatives proposed last week. First, action on trade would have to be discriminatory: there is no reason to attack all imports, merely to change Chinese behaviour. But this would almost certainly be a violation of the rules of the World Trade Organisation. A trade war would be very dangerous. Insisting that China stop purchasing the liabilities of other countries so long as it operates tight controls on capital inflows is, instead, direct and proportionate and, above all, moves the world towards market opening.

Some fear that a cessation of Chinese purchases of US government bonds would lead to a collapse. Nothing is less likely, given the massive financial surpluses of the private sectors of the world and the continuing role of the dollar. If it weakened the dollar, however, that would be helpful, not damaging.

The post-crisis world economy will not work so long as its most dynamic economy is also its largest capital exporter. Moreover, China has insured itself to a vastly more than adequate extent. Adopting a set of policies that would turn China into a net importer would benefit both its own people and the rest of the world. The time has come to move beyond rhetoric. Action is urgent.

<http://www.ft.com/cms/s/0/52b8a8e4-d0b0-11df-8667-00144feabdc0.html>

- EU adds to pressure on China to let currency appreciate (5th October)
DEUTSCHE WELLE

As Chinese PM Wen Jiabao sat down with top eurozone officials and finance ministers, he was told China should let its currency find its natural worth. This follows recent US threats to impose tariffs on Chinese exports.

One could say that the relationship between the US and China resembles that between a drug addict and his dealer. The Chinese sell valuable goods to the US and buy US government bonds with the revenues. This way, they help bankroll the US debt, allowing American consumers to buy more "Made in China" goods.

The result is that the US trade deficit with China doubles every four years. The US wants the yuan to appreciate so that Chinese goods become more expensive, imports to the US decrease and the trade deficit is reduced.

However, Xu Hongcai from the China Center for International Economic Exchanges says that there is no connection between the trade balance and the currency value.

"The prices for natural resources and work in China are low, not the currency," he explains. "International firms, including American ones, buy raw materials all over the world and have them processed in China before selling them everywhere. That's why there's a surplus in China – nothing to do with the currency."

The recent pressure from the US is due to the upcoming Congress elections, Xu adds. Unemployment is hovering at around 10 percent and the currency issue deflects from other domestic matters.

Dashed hopes

The US had high expectations when the Chinese Central Bank announced it would remove the yuan's peg to the dollar in the summer. Since then, however, the yuan has only increased by 1.8 percent against the dollar.

Rolf Langhammer, the vice president of the Kiel Institute for the World Economy, says the Americans are naive to think China will allow more flexibility considering the unstable state of the global economy.

"Moreover, there is a third partner in play and you can't make any deals with it – the euro. So long as the euro fluctuates against the dollar freely, the Chinese Central Bank cannot be sure how the euro-dollar exchange rate is likely to go," he points out.

Nor can it be sure of China's chances on the European market even if the EU is China's biggest trade partner, ahead of the US.

Economists warn against sudden changes

When the euro was weaker, making European exports to China cheaper and stimulating them, the Europeans looked upon the currency spat between the US and China rather quietly. Now, however, as the world's biggest economy falters and the European single currency strengthens, there is pressure on China from Europe too.

But economist Xu Hongcai doubts that the pressure will have much effect. "It would be tough on the manufacturing industry," he explains. "These companies work within very narrow margins. If the yuan appreciates too fast, many people's livelihoods here will be threatened. This also concerns foreign firms here in China. They would have to look at other developing countries. Moving the production base would mean incurring further costs. And it would not help the US as firms would definitely not go there."

Rolf Langhammer from the Kiel Institute says that it could even be bad for the US. He explains that the system is very fragile and might not survive any shocks. He instead hopes that the yuan will slowly become a tradable currency thanks to its growing role on the Asian markets.

<http://www.dw-world.de/dw/article/0,,6081059,00.html>

- China: a developing nation with growing pains (5th October)

Though 61 is a mature age for people, the new China, which celebrated the 61st anniversary of its founding on Oct. 1, is still in its adolescence, developing rapidly and full of the vigor of a young man.

Also like a youth, the country has experienced growing pains over those contradictions between its self-perception and recognition by its peers.

China has been on track for rapid development during the three decades since its reform and opening-up in the late 1970s, as gross domestic product (GDP) jumped to more than 34 trillion yuan (5.08 trillion U.S. dollars) in 2009, from 364.52 billion yuan in 1978.

Even the global financial crisis failed to slow the country's developing momentum, with an annual growth rate of 9.1 percent last year, outshining its developed counterparts, such as the U.S. and Japan.

Despite the impact from the economic downturn, China also replaced Germany as the world's third largest economy and largest exporter last year, and overtook the U.S. to become the world's largest auto market.

What's more, in the second quarter of this year, China's GDP exceeded that of Japan for the first time.

Zhuang Jian, chief economist with the Asian Development Bank, praised the achievements China has accomplished during the past three decades, saying its strong growth has boosted the confidence of the Chinese people and encouraged them to work harder for a better future.

As China's economic clout grows, so do suspicions, criticism and even intentional exaggerations. Different readings on China's development have caused confusion - is China still a developing nation or a developed one?

The Chinese government has reiterated its status as a developing nation, while some insisted that China could no longer be called an emerging economy, and thus held China accountable for more responsibilities in its trade surplus, exchange rate, emission reductions and energy consumption. There is also fear that the emerging China would be a threat to other nations.

Premier Wen Jiabao said in September at the UN General Assembly that China was still in the "primary stage of socialism" and remains a developing country.

"These are our basic national conditions. This is the real China," he said.

Wen stressed this point with data showing that, although China's GDP ranks it as the world's third largest economy, per capita GDP is only one-tenth of those of advanced countries. China's further development is constrained by its shortage of resources, as well as energy and environmental problems, he added.

Experts believe that the growing Chinese economy is too large to be ignored, despite it still being a developing economy.

Wang Jun, a researcher with the China Center for International Economic Exchanges, said China would continue its relatively fast economic growth for an extended time, a fact that would be difficult for some nations to accept in the short term. This also requires constant adjustments in how China views its own development, as well as how other nations see China, he said.

"Misunderstandings and conflicts are inevitable," Wang noted.

"I can't name another country in the world that has changed so much in so short a time," said Patrick Chovanec, an associate professor at Tsinghua University's School of Economics and Management in Beijing. He has been coming to China since 1986.

Chovanec noted that China has undergone one of the most rapid and dramatic social changes in history, and "it is still playing out".

"People around the world have a lot of uncertainty over what a more powerful China would look like and what it would mean for them. A lot of cultural and political differences remain, and some of them are pretty significant," said Chovanec. So it is

understandable that people have some fears and concerns, he added.

Further, to deal with misjudgments, Zhuang Jian said China should be more involved in explaining its true self to the world as it becomes more involved in the international community.

Patrick Chovanec suggested China should "try to empathize, and develop a thick skin ... As it becomes more powerful, China is going to be on the receiving end of more, not less, criticism."

Sheng Hong, director of the Beijing-based Unirule Institute of Economics, warned of self-complacency and arrogance, saying the larger one's economy grows, the more cautious and humble it should become.

"China should take some criticism seriously, apart from that criticism based upon purposely harmful intentions, which could help step up its economic and political reform. Also, a clear understanding of its real strength would help the government to make the right decisions," he said.

Zhuang Jian said China's strong economic growth, mainly fueled by its large investment of resources and capital, is unsustainable, inefficient and energy-consuming, remaining vulnerable to the changes of the outside world.

China has a long way to go to catch up with the developed nations in terms of per capita GDP, and China is lagging far behind in terms of industrialization, Wang Jun said.

The biggest challenge that China will face in this century is how to achieve sustainable development, he said, adding that the imbalance of regional development, income disparities and the widening gap between state-owned and private firms are also among the difficulties China must face during its future development.

Additionally, Sheng Hong said China has to step up its reforms in becoming a market economy to achieve sustainable development. For the achievements China has gained have been attributed to economic reforms, because of which millions of Chinese workers can now unleash their creativity, rather than only their hands.

China should also accelerate political reforms, including restraining and effectively supervising its administrative power to match the economic reforms, said Sheng.

- EU leaders appreciate China's support for euro (6th October)

European Union (EU) leaders said Tuesday they appreciated the recent statement by Chinese Premier Wen Jiabao on China's support for euro when the single currency is threatened with a sovereign debt crisis.

"I had the occasion to tell the Prime Minister (Wen Jiabao) that we had appreciated what he had said on his support on a number of treasuries in the euro area," European Central

Bank President Jean-Claude Trichet told reporters after a breakfast meeting with Wen.

Trichet, together with Eurogroup chief and Luxembourg Prime Minister Jean-Claude Juncker and EU Economic and Monetary Affairs Commissioner Olli Rehn, or the so-called Eurogroup troika, met Wen on the sidelines of the eighth Asia-Europe Meeting (ASEM), which would end later today.

Before arriving here on Monday for the two-day ASEM summit, Wen visited Greece, the first eurozone country that fell prey to a sovereign debt crisis and triggered a contagion threat in the whole region.

The Chinese premier said there that China is firm in supporting Greece, and is ready to expand cooperation with Greece and help the country through its current difficulties. He also pledged to keep holding of eurozone treasuries in support of the euro.

"China will not reduce its euro-bond holdings and China supports a stable euro," Wen said in a speech at the Greek parliament on Sunday.

Rhen said the statement would give a helping hand to the EU in restoring financial and economic stability.

"I also expressed our gratitude for the statement by Prime Minister Wen about supporting a stable euro and also Greece. That is endorsing the work and also the measures we have taken in the euro area," he said.

Juncker said China's recent growth performance has been an important factor in overcoming global financial and economic crisis.

Meanwhile, the three key euro policy makers said they welcome the decision taken by the Chinese government in June to increase the flexibility of RMB's exchange rate.

The People's Bank of China, China's central bank, announced a decision on June 19 to proceed further with the reform of the exchange rate regime to enhance the flexibility of the RMB's exchange rate.

Source: Xinhua

- China to EU: Tone Down Yuan Criticism (7th October) Wall Street Journal
Chinese premier Wen Jiabao asked European Union leaders Wednesday to tone down their attacks on Beijing in an escalating battle over the value of the world's key currencies.

"If the yuan is not stable, it will bring disaster to China and the world," he said in a speech to top EU officials and businesspeople, who have recently joined the U.S. in publicly demanding that Beijing let the value of its currency appreciate.

The yuan was pegged to the dollar until June. It has since been allowed to fluctuate in a tight range, but hasn't strengthened nearly enough to satisfy other economies confronted with slumping exports and massive trade deficits with China. A weaker currency helps a country's exports by making them less expensive.

To the dismay of Europeans, the yuan has since strengthened by about 2% against the dollar but fallen close to 10% against the euro.

It's not just the Bank of Japan; central banks from Brazil to South Korea are trying to tamp down their currencies, which is driving up commodities like gold and crude, as well as stocks. Anna Raff, Mike Reid and Paul Vigna discuss.

"Exchange rates should be as realistic as possible," German Chancellor Angela Merkel told reporters Tuesday.

Olli Rehn, the EU's monetary affairs commissioner, acknowledged that the Chinese currency had been allowed to fluctuate but now needed to be "complemented by an increased flexibility."

However, Mr. Wen, in promising to only "gradually" let the yuan increase in value, was repeating what he and other senior Chinese officials have been saying since June.

"It's the rest of the world that's now upped the ante," says David Bloom, global head of currency trading for HSBC. The combination of mid-term elections in the U.S., a series of international meetings where new deals could get made and slow economic growth has spooked the markets and put pressure on political leaders, he adds.

China, too, has too much to lose by floating its currency, Mr. Wen argued. "If we increase the yuan by 20 percent or 40 percent, as some people are calling for, many of our factories will shut down and society will be in turmoil," he said.

The tension over currency markets overshadowed an exceptional meeting among leaders of 46 Asian and European countries, as well as formal EU summits with China and South Korea, that have shut down the center of Brussels for most of this week.

EU leaders pressed China to respect intellectual-property rights and open public contracts to European companies. The main Chinese demand at the summit was that they receive market-economy status, a recognition that would make it harder for the EU to levy special tariffs on inexpensive Chinese imports. The EU has recently hit China with a number of these tariffs, including on aluminum wheels, steel and shoes.

Mrs. Merkel promised help on market-economy status. However, many EU officials insist China isn't yet a true market economy and doesn't yet deserve the status.

Mr. Wen's remarks on currency were made to a crowd of several hundred top executives attending a parallel "business summit."

Europeans came hoping to improve their exposure to the massive Chinese market. "It's important to get yourself in these conferences because the Chinese take the attendance lists home and examine every company name," says Lars Hansen, president of [Novozymes](#) A/S, a Danish biotech firm hoping to sell more of its biofuel-producing enzymes in the Middle Kingdom.

And Chinese executives came to Brussels seeking to improve their image in an increasingly protectionist climate. Europe remains key "to the development of the global economy," says Li Shufu, chairman of Zhejiang Geely Holding Group Co., Ltd., the automaker that bought Volvo Cars from [Ford Motor](#) Co. in March. "We need to understand, to respect, the other party."

The business community also celebrated the signing a free-trade deal three years in the making, between the EU and South Korea. It links the world's biggest and 15th-biggest economies, and is considered the biggest bilateral agreement ever, rivaled only by U.S.-Australia and China-Australia deals.

Korean automobile and hi-tech firms will gain access to the EU's 500 million consumers, while European firms will gain a foothold in what has been a closed but wealthy market. For example, Korean firms have a 97% share in their hard-liquor market, according to the European Spirits Organization. The FTA will remove over \$2 billion in import tariffs. The deal "also lays down fundamental intellectual-property rules to crack down on counterfeit spirits and to protect geographical indicators," said Jamie Fortescue, the organization's director general.

Even better, Mr. Fortescue said, the agreement's wording on booze will serve as a benchmark for other trade deals, such as one the EU is currently negotiating with India.

http://online.wsj.com/article/SB10001424052748704689804575536022547062314.html#mod=most_viewed_markets24

- China's growth projected to be 10.5% in 2010, 9.6% in 2011: IMF (7th October)
China's growth is projected to average 10.5 percent in 2010 and 9.6 percent in 2011, mainly driven by domestic demand, according to a report released by the International Monetary Fund (IMF) on Wednesday.

The Washington-based international institution made the projection in its biannual World Economic Outlook (WEO) before the IMF and its sibling institution World Bank annual meeting to be held this weekend.

"The slight moderation in recent activity is expected to continue through 2011 in light of tighter quantitative limits on credit growth, measures to cool off the property market and limit bank exposure to this, and the planned unwinding of fiscal stimulus in 2011," IMF said in the report.

The report said this year's sustained growth in retail sales and industrial production confirms that private sector activity has advanced beyond the lift from government stimulus.

"On average over 2010-11, private domestic demand is poised to contribute two-thirds of near term growth, and government activity about one third, whereas the contribution from net exports will be close to zero," said the report.

Despite the robustness in domestic demand, the pickup in inflation in 2010 reflected mainly higher food prices rather than core inflation, the report said.

Source: Xinhua

- China's National Day tourism revenue grows to \$17.48 bln (8th October)

Tourism revenue in China reached 116.6 billion yuan (17.48 billion U.S. dollars) during the National Day week, an increase of 32.4 percent year on year, official data showed Friday.

Scenic spots around China received a total of 254 million tourists during the seven-day break, up 27.1 percent from the same period last year, the National Tourism Administration (NTA) and the National Bureau of Statistics (NBS) said in a statement on the NTA's website.

The data showed each tourist spent an average of 459 yuan during the week, with about 93 percent of the revenue going to scenic spots, restaurants and hotels and the remainder on air and train tickets.

To boost domestic demand, Chinese authorities decreed in 1999 that every Chinese worker should enjoy three seven-day mandatory vacations a year, with the other two being the Spring Festival, when Chinese people celebrate the Lunar New Year in January or February, and the Labor Day holiday starting May 1.

Only two of the so-called "golden weeks" remain after the authorities in late 2007 shortened the Labor Day break from a week to three days and introduced three shorter holidays for Mid-Autumn Festival, Dragon Boat Festival and Tomb-Sweeping Day as a way for people to reconnect with Chinese traditions.

Source: Xinhua

- China expected to achieve energy efficiency goal on schedule: Minister (8th October)

China is expected to achieve its target of a 20-percent cut in energy use per unit of gross domestic product (GDP) in the five years to 2010 as planned, Li Yizhong, Minister of Industry and Information Technology, said Friday.

With efforts in the fourth quarter, the energy efficiency goal for 11th Five-Year (2006-2010) period would be met, Li told Xinhua.

Li also forecast energy consumption per unit of industrial value-added output would decline 6 percent this year from a year ago.

The year-on-year reductions for the previous four years were 1.98 percent in 2006, 5.46 percent in 2007, 8.43 percent in 2008 and 6.62 percent last year, he said.

Industrial value-added output measures the final results of industrial production -- the value of gross industrial output minus intermediate inputs such as raw materials and labor.

Official statistics showed China's consumption of energy relative to economic output has fallen by 15.6 percent from 2005 to 2009.

However, energy use per unit of GDP rose 3.2 percent year on year during the first quarter this year. Energy consumption per unit of industrial value-added output was up 0.38 percent from one year ago during the first three months.

The first half of this year saw a 0.09-percent increase year on year in energy use per unit of GDP.

The government has introduced a series of measures to ensure the target on energy efficiency is met, including eliminating out-dated industrial capacity and restricting new projects for capacity expansion in energy intensive and polluting industries.

During the four years to 2009, small thermal power plants with a total capacity of 60 million kilowatts were shut down. For the first seven months this year, small thermal plants with another 10 million kW of capacity were eliminated.

Authorities also phased out inefficient production capacity of 87.12 million tonnes of steel, 60.38 million tonnes of iron and 214 million tonnes of cement in the past four years.

This year, the government was aiming to save energy of another 16 million tonnes of standard coal by shutting down small thermal power plants with a total capacity of 10 million kW and eliminating inefficient production capacity of 25 million tonnes of steel, 6 million tonnes of iron and 50 million tonnes of cement.

China would exhaust all effective means possible to meet the target of improving energy efficiency, Zhang Xiaoqiang, deputy director of the National Development and Reform Commission, said at the Summer Davos in September.

Source: Xinhua

- Gold drives Chinese stocks to five-month high (8th October)

Chinese shares advanced to a five-month high Friday on the gains of gold producers and nonferrous metals.

The benchmark Shanghai Composite Index rose 3.13 percent, or 83.09 points, to close at 2,738.74.

The Shenzhen Component Index gained 3.86 percent, or 442.83 points, to end at 11,911.37.

Combined turnover stood at 283.42 billion yuan (42.43 billion U.S. dollars), up from 183 billion yuan the previous trading day.

Gainers outnumbered losers by 814 to 41 in Shanghai and 1,025 to 47 in Shenzhen.

Most Chinese stocks proved resilient Friday after the stock markets were closed from Oct. 1 to 7 for the annual National Day holiday.

Gold producers rallied Friday after international gold prices hit a record during the Chinese holiday as investors sought an alternative investment to the U.S. dollar, which slid to an eight-month low against the euro on Thursday.

Zijin Mining Group, China's largest gold producer, surged by the 10- percent daily trading limit to end at 8 yuan per share. Shandong Gold Mining, a big producer of gold based in east China's Shandong Province, rose by the daily limit of 10 percent to 61.46 yuan in Shanghai.

Nonferrous metals also posted widespread gains after copper rose to 8,326 U.S. dollars per metric ton on the London Metal Exchange on Wednesday, the highest level since July 2008.

Jiangxi Copper Co., the country's leading copper producer, jumped 9.9percent to 34.23 yuan per share while Yunnan Copper Co. gained 9 percent to 24.52 yuan per share.

Other energy and raw materials stocks also rebounded Friday because of international commodity gains during the weeklong holiday.

China Shenhua Energy Co., China's biggest coal producer, climbed 9.28 percent to 25.8 yuan. PetroChina Co. rose 2.85 percent to 10.47 yuan per share.

Source: Xinhua

- Currency war bad for global recovery (8th October)

World leaders must defuse currency tensions before they worsen to avoid repeating the mistakes of the Great Depression, the head of the World Bank said.

The spirit of global economic cooperation, first forged in 2008 during the darkest days of the financial crisis, has weakened as the recession gives way to an uneven and shaky recovery, the head of the International Monetary Fund also warned.

Fears of a global currency war as nations look to export their way to economic health have jumped to the top of the agenda at IMF and World Bank meetings this weekend in Washington D.C.

The push among nations for a trading edge, reminiscent of the strains that exacerbated the Great Depression, are also expected to be a primary topic of discussion when Group of Seven finance leaders hold a closed-door dinner on Friday.

The meetings provide a forum for intense discussions about efforts to persuade China to let its yuan rise further, the weakening in the U.S. dollar, and the strengthening of emerging market currencies as investors chase higher yields.

"If one lets this slide into conflict, or forms of protectionism, then we run the risks of

repeating the mistakes of the 1930s," World Bank President Robert Zoellick told reporters at a briefing.

Finance ministers from the Group of 20 rich and emerging economies hold a working breakfast on Friday, but that meeting will focus on the separate, touchy issue of giving emerging markets more power at the IMF.

The IMF trimmed its 2011 growth forecast for advanced economies on Wednesday and warned the task of reducing heavy government debt burdens, while essential, would act as a significant drag on growth. Slow growth at home leaves countries unusually reliant on exports, heightening concerns they will intentionally weaken their currencies to boost trade.

Zoellick said history shows "beggar thy neighbor" policies don't work, and suggested international agencies such as the IMF and World Trade Organization could help manage currency tensions before they erupt into something more damaging.

Japan intervened to weaken the yen last month for the first time in six years, and several emerging markets have taken steps to prevent their currencies from rising too rapidly.

The IMF's managing director, Dominique Strauss-Kahn, said fading global cooperation was regrettable. "I think it's fair to say that momentum is not vanishing but decreasing and that's a real threat," he warned at a separate news conference. "Everybody has to keep in mind this mantra that there is no domestic solution to a global crisis."

Strauss-Kahn said he disliked the notion that a currency war was brewing because the term was "too military," but conceded "it's fair to say that many do consider their currency as a weapon and that's certainly not for the good of the global economy."

China held the yuan stable during the financial crisis but in June promised to let it respond more freely to market forces. Since then it has risen about 2 percent against the U.S. dollar.

Financial leaders from emerging market countries expressed some frustration with the rich world's policies, too.

The G24, composed of emerging and developing economies, said a simultaneous budget clamp-down "presently under way in many advanced economies poses considerable risks of a downward spiral in global demand."

The G24 also said low interest rates in advanced economies were sending investment money flooding into faster-growing emerging markets, driving up asset prices and inflation.

The European Central Bank and the Bank of England both kept interest rates at record lows in meetings on Thursday, while the Bank of Japan cut its benchmark rate to zero this week.

The U.S. Federal Reserve is considering printing more money to buy assets in the hope of speeding up the pace of U.S. growth to bring down high unemployment. The side effect is a weaker dollar that is fueling global tensions.

Since mid-June, the U.S. dollar has fallen nearly 13 percent against a basket of major currencies, erasing most of the gains it racked up earlier in the year when European sovereign debt worries sent investors scrambling for safety. ECB President Jean-Claude Trichet said volatile exchange rate moves had "adverse implications" for economic and financial stability and that he shared the view that a strong dollar was in Washington's best interest. U.S. officials, however, have been silent on the greenback's fall.

Agencies

- Rare earth will not be used as bargaining chip: Wen (8th October)

China has not, and will not block exports of rare earth, Premier Wen Jiabao told European political and business leaders in a keynote speech at the Sixth China-EU Business Summit on Wednesday.

"China is not using rare earth as a bargaining chip," Wen said. "We aim for the world's sustainable development."

Wen called for proper controls and regulations for the precious minerals and metals that can be used for electronic devices, but said that China will not close the market.

"It is necessary to exercise management and control over the rare earth industry, but there won't be any embargo," he said.

"What we pursue is to satisfy not only domestic demand but also the global demand for rare earth. We should not only stand from the present, but should also look forward to the future," he added.

"If the rare earth minerals were used up, how would the world and China deal with the problem?"

Wen, a geology major in college, said he studied rare earth for years.

In the 1980s and 1990s, rare earth metals from China were exported at low prices due to a lack of proper management and extraction technology, as well as chaos in supervision, Wen said.

Some countries accumulated so much rare earth that they are still using those reserves today, he said.

He also assured European investors that China would maintain a good investment

environment for foreign businesses.

"Foreign businesses operating in China enjoy the same national treatment as Chinese enterprises do," Wen said.

"The only changes that have taken place are that foreign investment is now under better and more orderly regulation."

China will stick fast to its reform and opening-up policies, which will not be changed, he said. Only through reform and opening-up can China maintain its development, he stressed.

Wen acknowledged that foreign businesses are mostly concerned with issues related to intellectual property, independent innovation, and government procurement.

"All products made in foreign businesses are 'made-in-China' products," Wen said. "We will not only protect your intellectual property rights but also your legitimate rights and interests."

On the issue of yuan appreciation, he urged Europe not to press China too much.

Many Chinese export enterprises have slim profit margins and "should the yuan rise by 20 to 40 percent, as demanded by some people, a large number of Chinese export enterprises will go bankrupt, workers will lose their jobs making it hard for society to remain stable", he said. "The world will by no means benefit from a crisis in the Chinese economy."

Also on Wednesday, the premier called on the European Union (EU) to end the arms embargo against China and recognize China's market economy status to pave the way for further bilateral ties.

Wen made the remarks while co-chairing the 13th China-EU Summit with European Council President Herman Van Rompuy and European Commission President Jose Manuel Barroso in Brussels.

The summit should play a role of strategic guidance in promoting China-EU ties and pushing for the recognition of China's market economy status and an end to the arms embargo, Wen said.

China will work with the EU to achieve balanced and sustainable development of bilateral trade, improve the investment environment and enhance cooperation in financial and fiscal policy-making processes, he said.

Wen said China had expressed its support for, and confidence in, the 27-member European bloc, and believed that a strong and stable EU is conducive to the world as well as to China.

Barroso said the EU-China commercial relationship, worth 327 billion euros (\$453 billion) in 2009, was one of the most important in the world and vital for the global economy.

Van Rompuy noted that the EU and China have differences of approach, but "this should not impede our joint will to bring the relationship to a higher level. We should be ambitious and make sincere efforts to achieve progress", he added.

Van Rompuy and Barroso also expressed to Wen "the need for a level playing field in China for our businesses", including the "opening up of public procurement".

Wen arrived in Italy late on Wednesday, and met with Italian leaders on Thursday before traveling to Turkey.

AP, Reuters, AFP and Xinhua contributed to this story.

- Tax chief: China's tax misery ranking flawed (8th October)

Recent reports by a foreign magazine that China's tax misery index is ranked second worldwide are incorrect, said Xiao Jie, head of the State Administration of Taxation, in an article in China Reform magazine.

As the demand for public products and services is rapidly rising and the economy is continually developing, there is a rising need and room for improvement in China's macro tax burden in the days to come, Xiao said in the article.

Xiao pointed out that there is a common mistake in the evaluation of China's tax misery index. According to sources, the evaluation method of the tax misery index adopted by the foreign magazine is to first fix six types of taxes and fees, including corporate and individual income tax, social security payments contributed by employers and employees, sales tax and property tax, and add the statutory maximum tax rate of the six types of taxes together to make comparisons. The resulting figure is the so-called tax misery index.

The foreign magazine calculated that China's tax misery index is 159. This number was formed by adding the maximum value-added tax of 17 percent, the maximum corporate income tax of 25 percent, the maximum personal income tax of 45 percent, the maximum social security payment contributed by enterprises of 49 percent and the maximum social security payment contributed by individuals of 23 percent. Xiao believes that the evaluation method of equating the simple sum of the tax rates to the tax burden is a kind of fallacy, because tax burden is not only decided by tax rate, but also by the tax base.

"Comparing and analyzing the macro tax burden level cannot be separated from the development stages and government function scopes of various countries. As different countries have different national situations, there is no common standard for evaluating the macro tax burden level," Xiao said.

When analyzing the future trend of the overall tax burden, Xiao said that within the policy framework of public finance, China will gradually extend social security coverage, achieve the equalization of basic public education and health services in urban and rural areas and accomplish the demanding task of building government-subsidized housing for low-income residents.

The demand for public spending is growing fast, and the government's tax revenue is unable to meet this demand, so it is necessary to gradually increase the tax-to-GDP ratio in a reasonable way along with economic development, he said.

Rapid economic development will lay a solid foundation for tax growth. Xiao believes that China will maintain steady and rapid economic growth through accelerating the transformation of its economic development pattern and adjusting its industrial structure. Meanwhile, the quality of economic growth will improve step by step, so the basis for tax growth will be more solid.

Having taken the structural tax reduction and other factors into full consideration, Xiao predicts that overall, the elasticity coefficient of China's tax revenue growth may remain above one in the coming decade, and the tax-to-GDP ratio, which now stands at nearly 18 percent, is very likely to further increase.

By People's Daily Online

- What to do about China's currency? (9th October) The Washington Post

With the Obama administration stepping up pressure on China to change the way it manages its currency, The Post asked experts and legislators what can be done. Below are contributions from C. Fred Bergsten, Mark Zandi, Douglas Holtz-Eakin, Kenneth Lieberthal and Rep. Sander M. Levin.

C. FRED BERGSTEN

Director of the Peterson Institute for International Economics; assistant secretary of the Treasury for international affairs from 1977 to 1981; co-author of "[China's Rise: Challenges and Opportunities](#)"

China's massive intervention in the foreign exchange markets has produced an undervalued currency that subsidizes all Chinese exports by at least 20 percent and protects all Chinese imports by at least 20 percent. The U.S. global trade deficit is \$50 billion to \$100 billion higher and perhaps 500,000 good jobs in this country are displaced as a result. Moreover, China's actions have unleashed worldwide currency conflicts that threaten to replicate the spiral of competitive devaluations that deepened the Great Depression in the 1930s.

Sweet reason and polite international negotiations have failed to resolve the issue for seven years. The [bill passed by the House on Oct. 1](#), to authorize the imposition of countervailing import duties against specific foreign products subsidized by a deliberately undervalued currency, is a useful initial response. So is [Treasury Secretary Timothy Geithner's](#) conditioning a greater role for China in the International Monetary Fund on its currency cooperation.

But three additional measures are needed to persuade China to let its currency rise by 20 to 25 percent over the next two to three years. Geithner must label China a "currency manipulator" in his next report to Congress due on Oct. 15; the United States cannot mobilize international support on the issue unless it is willing to indict China itself. The United States and as many allies as possible should seek authority from the World Trade Organization to impose restrictions on all imports from China until it eliminates the misalignment. Most important, the United States should counter China's manipulation with countervailing currency intervention of its own: We should buy yuan-denominated assets to offset China's purchases of dollars and henceforth directly neutralize any further distortion of our exchange rate.

MARK ZANDI

Chief economist at Moody's Economy.com

In an ideal world, China would allow its currency to appreciate some 5 percent each year for the next five years. A yuan that is 25 percent stronger would be appropriately valued, and the U.S.-China trade imbalance would fade, no longer threatening the relationship between the two countries and, by extension, the global economy.

U.S. policymakers need to do (and should do) very little to achieve this. The economic logic of reforming China's currency policy is compelling, for China as well as the United States. A stronger yuan would enrich Chinese households, lowering their cost for imported goods. It would also enable China to purchase the global assets it covets, from U.S. technology to African raw materials.

This logic guided Chinese policy before the Great Recession, with the yuan rising almost 20 percent between summer 2005 and summer 2008. Chinese authorities reasonably halted further moves when the global financial panic hit, but in recent months, with more stable conditions, they have resumed revaluation. It hasn't been as fast as policymakers would like, but it signals that the Chinese accept the logic behind a more flexible currency.

U.S. policymakers may be tempted to use a stick, such as greater tariffs on Chinese imports, to induce faster currency appreciation. But this would be counterproductive, stifling both Chinese imports and, as China retaliates, U.S. exports. This is a scenario for a new global recession. Currency revaluation is vital and logical, for China's own sake as well as ours, but the case must be accepted on its merits, not because of threats.

DOUGLAS HOLTZ-EAKIN

Former director of the Congressional Budget Office; senior economic adviser to Sen. John McCain's presidential campaign

There is no more vexing issue in U.S. economic policy than China's currency. China has amassed a historically large hoard of currency reserves. It did this at a time when Chinese government policy prevented its currency from responding to market forces. If this is not currency manipulation, it's hard to know what is. Still, the scope of the manipulation is far from clear. Credible estimates of undervaluation vary considerably -- from as low as 12 percent to as much as 50 percent.

So what is to be done? History is instructive. During the 1950s and 1960s, the Soviet Union confronted the United States with an alternative economic model, with spillovers to other issues ranging from human rights to national security. Soviet-style economics proved to be a vastly inferior economic model, and I suspect the same to be true of

China's mix of market forces and totalitarian politics. The United States ultimately succeeded through the efforts of an alliance of like-minded Western democracies.

The same approach should be applied to the Chinese currency: explicit norms set by like-minded countries. This need not be done through an existing international forum such as the IMF or the Group of 20 major economies. A smaller and more focused group could convene to address currency valuation while also tackling the underlying issues of national saving, investment and consumption.

KENNETH LIEBERTHAL

Senior fellow and director of the John L. Thornton China Center at the Brookings Institution

The currency legislation that the House passed is both toothless and harmful. Toothless because it requires cumbersome, case-by-case actions that in toto cannot seriously affect the U.S.-China trade balance. Harmful because it frames this global problem as a bilateral issue, diverting attention from multilateral efforts. A bilateral approach also empowers critics in Beijing who argue that this is a U.S. tactic intended primarily to upset China's stability and growth.

China's currency policy seriously exacerbates global imbalances -- imbalances that threaten to compel other governments to hold down the value of their currencies in order to promote exports. No country wants its currency to rise while others hold steady or fall. But this global problem should be handled primarily through multilateral mechanisms, with the G-20 playing a leading role, because the currency issue fits squarely into its broader focus on multilateral reforms to promote strong and sustainable growth.

America should implement existing trade law, bring cases where China violates WTO rules, and, especially, work hard at the Group of 20 and elsewhere to achieve a multilateral consensus on sustainable currency practices. These measures can work better because Beijing cares a lot about the views of other developing countries but instinctively resists unilateral American pressure.

SANDER M. LEVIN

Chairman, House Ways and Means Committee

House Democrats took major legislative action because China's persistent currency manipulation -- part of its overall economic strategy -- was costing American jobs by making China's goods cheaper and U.S. goods more expensive. China promised to adopt currency flexibility, but as too often has been the case, it has not implemented this promise to fulfill international obligations. And there has not been effective multilateral action on what is increasingly a global problem.

The House legislation replaces rhetoric with action. It is crafted carefully to be consistent with our World Trade Organization obligations. It would provide meaningful relief to U.S. businesses and workers by allowing duties to be imposed to offset the effects of an undervalued currency. To thrive, international trade must have rules of competition. Americans need their elected representatives to stand up for them and hold our trading partners accountable to the rule of law. Through this action, the House sent a message that China's currency manipulation, a unilateral and protectionist measure, cannot stand. We must embark on a comprehensive strategy, including multilateral action, to enforce the rules of trade and allow our businesses and workers to compete and win in the international marketplace.

<http://www.washingtonpost.com/wp-dyn/content/article/2010/10/08/AR2010100805677.html?hpid=opinionsbox1>

Social front

- China's railway passenger traffic sets new daily record (3rd October)

The number of passengers traveling on China's railway set a new daily record on Oct.1 driven by holiday makers and improved rail transport capacity, railway authorities said Saturday.

Daily railway passenger traffic on Friday hit 8.3 million riders, up 19.8 percent year on year and overtaking the daily record of 7.1 million set on May 1 during the Labor Day holiday, the Ministry of Railways (MOR) said.

Friday's figure also outnumbered the previous day by 1.8 million, the MOR said.

Over the past four days more than 24 million people in China chose to travel by train, which is 10.3 percent higher than the figure during the same period last year, said the ministry.

Thanks to China's increased transport capacity, stemming partially from high-speed railway construction, railway authorities managed to meet the travel demands of holiday makers, which are dominated by travelers and those who were returning home.

China's weeklong National Day holiday begins on Friday.

China has 7,055 kilometers of high-speed railway in service, which is the world's longest, said He Huawu, chief engineer of the MOR.

By 2012, China will have a railway network of 110,000 kilometers, 13,000 kilometers of which will be high-speed rail, according to the MOR.

Source: Xinhua

- China strengthens vocational education to boost employment (5th October)

Three months after high school, 18-year-old Wang Mingyuan landed a part-time job in KTK Group, one of China's leading railway components manufacturers, in east China's Jiangsu Province.

Unlike other migrant workers, Wang also started a three-year vocational school education at the same time, thanks to the work-study program launched this year by the Jiangsu provincial government.

The program offers employment opportunities in high-technology and community-service fields to vocational school students. Currently, Wang works three days of each week in the company and spends another two days as a student, learning computer

science and engineering.

"I felt very depressed about the future when I knew I failed the college entrance exam. But after attending the work-study program, I think if I work hard, I may fare as well as those with college educations," Wang said.

"Through the program, I could gain career-related, on-the-job work experience, which is valuable for my job hunting and career development," he continued.

For a long time, college has been seen as a necessary, even if not sufficient, ticket to the middle class by the Chinese people. However, the steadily increasing number of students attending Chinese colleges since the late 1990s caused a growing number of graduates to fail in finding a job.

In contrast, skilled workers are badly needed in China as skilled job vacancies hit 4 million across the country by the end of 2009.

"As the country's industrial restructuring accelerates, the demand for skilled workers will become increasingly buoyant," said Huo Jianguo, director of the Trade Research Institute affiliated with the Ministry of Commerce.

On the one hand, the employment market ran short of skilled workers. On the other hand, China's employment situation remained grave as millions of people were laid off, Huo said.

China's urban unemployment rate stood at 4.3 percent at the end of 2009, with 9.21 million people unemployed.

According to data from the Ministry of Human Resources and Social Security, 24 million people, including 6.3 million new college graduates and 6 million high school graduates, would enter the job market this year, though only 12 million jobs were available.

"We do not need only bankers and economists, but also qualified plumbers and mechanics to help us unblock drains and fix cars," said Zhao Shuming, professor of human resource management at Nanjing University in Jiangsu.

Zhao pointed to the creation of such work-study programs as a good way to gear young workers up for future jobs while addressing the unemployment problem.

Wang's story was a showcase of how China is seeking to boost employment and strengthen the training of human resources to improve the quality of its work force.

To meet the demands of different groups in finding jobs and preparing them for different types of careers, the government has conducted various vocational training programs. By the end of 2009, for instance, there were over 6,000 technical schools and employment training centers and over 2,000 private vocational training institutions, according to data

from the Information Office of the State Council, China's cabinet.

The government offers pre-job training courses to junior and senior high school graduates who failed to gain admission to higher education in a bid to help them master vocational skills or obtain a professional certification before they begin seeking work.

From 2005 to 2009, over 50 million new jobs were created in urban areas, and nearly 45 million surplus rural workers were transferred to non-agricultural sectors.

"Faced with the difficulties caused when the supply of labor outstrips demand, the government should continue its efforts in offering employment assistance, such as occupational skill training courses, as they strive to create more jobs through multiple channels," Zhao Shuming noted.

Source: Xinhua

- APNewsBreak: Guilty plea for Chinese co. over HGH (6th October)

A Chinese company and its chief executive have agreed to plead guilty to federal charges of illegally selling human growth hormone and will pay a total \$7.5 million, court documents show.

Lei Jin and his company, Genescience Pharmaceutical Co., were scheduled to enter the guilty pleas and be sentenced Wednesday in U.S. District Court in Providence, R.I. The company has agreed to plead to a felony and Jin to a misdemeanor.

Genescience Pharmaceutical sold the drug under the brand name Jintropin without approval from the Food and Drug Administration.

Genescience was charged in 2007 during a massive crackdown on illegal sports doping, dubbed Operation Raw Deal, in which 120 people were arrested, and 11.4 million doses of drugs were seized overall.

As part of the plea agreement, the two will agree to forfeit \$4.5 million and to set up a \$3 million fund that will work against doping in sports by providing grants for education and scientific research. The fund will be administered by the Rhode Island Foundation.

Lawyers for the company and for Jin did not immediately return calls seeking comment.

<http://www.kansascity.com/2010/10/06/2281877/apnewsbreak-guilty-plea-for-chinese.html#ixzz11aganNg6>

- President Hu says saving lives priority in flood relief work (8th October)

Chinese President Hu Jintao Friday said that saving lives must be the top priority for flood relief work in south China's Hainan Province.

Hu, also General Secretary of the Central Committee of the Communist Party of China, said people who were threatened by floods should be rapidly relocated, and measures should be taken to prevent secondary disasters and reduce losses.

Since Sept. 30, the island province has suffered continuous downpours, causing many rivers to swell and floods in some areas. More than 1.64 million local residents have been

affected.

Source: Xinhua

- Wages to continue increasing, report says (8th October)

China will face a continuous acceleration of market wages in the next five years, a report by the School of Economics, Renmin University of China, said.

The change will be the result of the low-end labor market reaching a turning point, bringing about structural changes that have initiated the recent general wage formation mechanism reform.

In 2010, labor supply-and-demand ratios in the eastern, central and western regions all hit record highs.

"Migrant workers' wages have generally been rising, burgeoned by a situation in which labor demand has surpassed supply," the report said. It also said this round of wage hikes would mark the shift of the wage formation rule from upholding the minimum living standard of low-end workers to market bargaining.

The report predicted the wage formation mechanism reform that originated from low-end labor market will spread to the high-end market and trigger shifts in income distribution.

The School of Economics Dean Yang Ruilong said, "Judgments and forecasts of industrial labor supply conditions will have impacts on agriculture, employment, technological innovation and a series of policy orientations."

"It matters deeply to the industrialization process and the next stage of overall economic development," he said.

The report showed that since the labor shortage emerged in 2004, migrant workers' wages have moved away from long-term stagnation to rise rapidly. They have more than doubled in six years, with an average annual increase rate of more than 12.4 percent.

The shift of the labor supply from surplus to deficiency is the root of wage increases, it said. China's current agricultural labor force still stands at up to 3 million, with 40 percent employment. Many surplus labors stayed in the agriculture sector.

Economists expected a growth of income from agriculture and a consequential increase in low-end workers' wages.

This, combined with China's accelerating industrialization, will increase the demand for, and price of, labor.

"The rise and its impact on higher levels of the labor market will undermine wages' lag behind national income, causing a revolutionary change in the national income

distribution," said Yang Jidong, one of the report's authors.

The public has raised doubts that growing wage pressures will increase business costs, compress corporate profits, affect investment and increase inflationary pressure on China's macroeconomic stability.

But head of the Research Institute of Donghai Securities Zhu Rong said rising wages will create more opportunities than challenges.

Although rising wages add cost pressures, the continuous increase of China's labor productivity will keep unit labor costs in decline and, consequently, not translate into inflationary pressures in the near future, the report said. As for exports, the wage increases' influences on non-processing trade production will be greater than those on the processing trade business.

"This round of wage increases' impact on China's export industry is not big, let alone fatal," said Yang Ruilong, adding that wage increases will not fundamentally change China's status as a manufacturing power.

Source: China Daily

- Crowded Chinese cities undermine living standards of residents (8th October) (Xinhua) -- As the first workday after China's week-long National Day holiday began Friday, Beijing's traffic conditions finally returned to their normal state -- heavy congestion.

During the past "golden week" holidays, many drivers had spent hours waiting on major expressways around the capital.

However, frequent traffic jams and the occasional super-jams are not the only problems troubling Chinese urbanites. City dwellers also have to contend with too few available kindergartens and hospitals, and polluted air. In fact, the entire urban traffic network is sometimes considered untrustworthy.

To put it simply, living in big cities is not as glamorous as it seems.

According to a survey, which was also a part of a proposal to the government by the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, a political advisory body, Beijing's population is growing much faster than expected.

It said the city's 11th Five-Year Plan (2006-2010) had projected that Beijing's population should be around 16.25 million in 2008, but in reality, by the end of 2009, the population had reached 19.72 million.

The rapid population growth has placed a heavy burden on education, health care and social security, which has resulted in the inadequate delivery of public services, it said.

Further, it said that efforts to alleviate traffic pressures would soon be offset by the rapid increase of cars in Beijing. The city had only two million cars in August 2003; by 2010, that figure had soared to 4.5 million. It is expected to hit 7 million in 2015.

Prof. Wang Yuma at the Chinese Academy of Governance said such problems were unavoidable when the urban population increases.

Wang said one solution was to develop small and medium-sized cities to attract the rural population which often migrated to big cities to improve their living standards. He also said the government should focus on improving public services in small and medium-sized cities.

Wang said labor-intensive industries were no longer fit for big cities and should instead be transferred to small and medium-sized ones to create jobs for rural migrant workers. He also said that the assessment of the work of city leaders should not focus solely on GDP, because it could make them ignore issues concerning the daily lives of residents.

"Factors concerning residents' life satisfaction should be considered as a key city management concept," he said.

Ethnic issues

Environmental front

- China's carbon intensity pledge serious: U.S. environmental group (7th October)
China's carbon intensity reduction target represents "a serious new commitment" and "a valuable contribution" to the international efforts to combat climate change, the U.S.-based environmental group National Resources Defense Council (NRDC) said on Wednesday.

It also dismissed accusations about the pledge's significance as a "mistake."

China pledged to cut its carbon intensity by 40-45 percent by 2020 from 2005 levels last year, but some observers continue to debate whether the goal is ambitious enough. Several Western commentators even concluded that China's target would require "no additional effort."

The NRDC, however, disagreed.

"Our view is China's carbon intensity target represents a concrete, new commitment. It's not easy to achieve it," Barbara Finamore, NRDC's China program director, told a news conference, while releasing a white paper that analysed China's proposed target and the actions required to achieve it.

On the basis of the analysis, which considered three emission growth scenarios and results from other studies, the paper concluded that "China will only be able to limit the growth of its emissions in accordance with this target through proactive policymaking and substantial new investments similar to those undertaken between 2006 and 2010."

If China fulfilled only the commitments that were in place before 2009, without extending its energy intensity policies beyond 2010, it would only reduce carbon intensity by 37 percent from its 2005 levels by 2020, the paper said.

As a result, jumping to conclusions that "no additional effort" was needed failed to "recognize the significance of China's actions" and to make such claims would be "to penalize China for taking early action," it said.

"Overall, China's commitment ... is a valuable contribution to the international effort to avert the worst threats of climate change."

Source: Xinhua

- China and US blamed as climate talks stall (8th October)

Progress on a climate deal is held back by tough stances of the world's two biggest carbon polluters. The head of US delegation, Jonathan Pershing, at the Tianjin climate change talks. China and the US have been accused of holding back progress. Photograph: iisd

[China](#) and the US were today accused of holding back progress on a climate deal as talks in Tianjin crashed into a series of procedural roadblocks.

On the penultimate day, negotiators said they have moved forward on technical issues, including a finance package and the subject of technology transfer, but the goal of a deal to replace or extend the [Kyoto protocol](#) remained a distant prospect.

The world's two biggest polluters, which together account for more than 40% of global emissions, have clashed this week over the form an agreement should take, the timing of next steps and how to enshrine and verify emissions targets.

The [United States](#) wants to move forward from the [Copenhagen accord](#) agreement made last December by coordinating national commitments to reduce emissions and instituting a rigorous regime to ensure compliance.

China is keen to protect a two-track approach in which richer countries make the first and biggest moves to reflect their greater responsibility for [climate change](#).

It wants the US and signatories to the existing [Kyoto protocol](#) to lock in their commitments to reduce emissions and resists demands that China's own actions are simultaneously incorporated in the framework of an international treaty.

These tough stances have exasperated many participants, though which of the powers they blamed depended on their political alignments.

"I'm disappointed at the attitude of China. It's stepping back more and more from what we [achieved at Copenhagen](#) [the climate summit last December]," said Akira Yamada, a climate negotiator for Japan. "It's as if they are trying to trash the Copenhagen accord."

"I don't see progress towards a substantial result in Cancún, but we are still trying," said Branca Americana, the Brazilian state secretary for the environment. "Europe is willing to push the process. I'd like to see the United States move, but I don't see it."

Europe, the least developed nations, island states and some of the big emerging economies – including Brazil and South Africa – have expressed a willingness to compromise over the legal form of the agreement and the means of verification for emissions cuts.

The disagreements increase the likelihood of a gap in the global climate regime after 2012, when the Kyoto protocol needs to be renewed.

Japan says it will not sign a second commitment period because it will be ineffective without simultaneous actions by non-signatories.

"The Kyoto protocol parties emit only 28% of global emissions now and will be less and less in the future. It cannot be effective unless the world's first and second biggest emitter are involved," Yamada said.

Europe said it will sign up to Kyoto if nations outside that treaty work in tandem to legalise their commitments by the time of a climate meeting in South Africa next year. Eventually, it wants the two tracks to merge.

This week's discussions have brought that no nearer to realisation.

China accused its counterparts of trying to kill the Kyoto protocol. "We are losing confidence and trust," Huang Huikang, China's recently appointed special representative for climate change negotiations, told a plenary stock-taking session. "I want to emphasise on our side no compromise on the two track process and no compromise on the interests of developing countries."

Poorer nations and small island states, which are feeling the brunt of the impact of climate change, expressed dismay at the negative actions of the big emitters.

"We call on major powers to come to the table in a more urgent and efficient manner," said [Dessima Williams](#), chair of the Alliance of Small Island States.

<http://www.guardian.co.uk/environment/2010/oct/08/china-us-blamed-talks-stall>

- Report warns of drastic glacier shrinkage in China (8th October)

(Xinhua) -- The average area of glaciers in western China might shrink by about 30 percent by 2050 because of global warming, damaging crop production and worsening droughts.

The dire prediction came Friday in a report released at the UN climate talks in north China's Tianjin Municipality.

The "Climate Changes and Poverty -- Case Study in China" report was jointly released by organizations including the Institute of Environment and Social and Sustainable Development in Agriculture with the Chinese Academy of Agricultural Sciences.

Forecasts of glacier recession patterns, summer temperatures and precipitation showed the average glacier area in western China might be reduced by 27.2 percent by 2050, said the report.

Ocean glaciers, affected by wet airflow from the oceans, would shrink by 52.5 percent, and Asian continental glaciers, formed in the continental climate would shrink by 24.4 percent.

Glaciers are part of the landscape in west China's high mountainous regions in the Qinghai-Tibetan Plateau, the Pamir Plateau and the Himalayas.

The report warned that global warming would reduce the seasonal snowfall period while melting area would be higher, contributing to the sharp decline.

Ice volumes would decrease substantially and the runoff water to rivers would fall sharply.

Moreover, climate change would not relieve water shortages in northwest China, but reduce river runoff by 20 to 40 percent in Ningxia Hui Autonomous Region, Gansu and Qinghai provinces and Xinjiang Uygur Autonomous Region.

According to the report, extreme drought affects 697,000 square kilometers of China and drought affects 2.98 million square kilometers, adding up to 38.3 percent of the country's land area. A 4-degree Celsius rise in temperatures would increase the drought-affected area by 843,000 square kilometers.

Glacier shrinkage would also threaten China's agriculture sector.

The report warned that overall crop production capacity would drop by 5 percent to 10 percent by 2030 due to global warming, especially in wheat, rice and corn, and the impact would worsen after 2050.

The Chinese government had attached importance to tackling the problems caused by climate change and taken effective measures to reduce the negative impacts, said Sun Cuihua, an official with the National Development and Reform Commission (NDRC), Friday at the climate talks.

At the end of last year, the government announced plans to cut greenhouse gas emissions per unit of GDP by 40 to 45 percent by 2020 from 2005 levels.

As part of that goal, the government had stepped up closures of outdated production capacity, which had been blamed for pollution and hindering the upgrading of industry.

After three rounds of talks this year, which are moving slowly towards a negotiating text for the Cancun meeting in Mexico at the end of the year, more than 3,000 delegates from 194 nations gathered in Tianjin from Oct. 4 to 9 to accelerate the search for common ground.

However, the gap remains wide between the developed and developing nations as the former remain wary of green technology transfers and additional financing to poorer nations.

Cyber/Technology Front

- Farmers "major driving force" in China's Internet population growth: blue paper (7th October)

(Xinhua) -- Farmers will become a "major driving force" in the growth of China's Internet population, which is already the world's biggest with its number exceeding 420 million, according to a blue paper recently released by a publishing house.

From 2007 to 2009, the number of Internet users in rural areas grew 71.6 percent per annum, double the urban rate, which stood at 34.6 percent, read a blue paper released by China's Social Sciences Academic Press.

About 100 million people in rural areas had access to Internet as of 2009, and there was plenty of room for increases given Internet coverage in rural areas was considerably less than in urban areas, according to the blue paper, which analyzed and forecasted the development of China's information industry this year.

- China has 265 million online game users: blue paper (7th October)

(Xinhua) -- China had 265 million online game registered accounts as of 2009, up 41.5 percent year on year, according to a blue paper recently released by a publishing house.

The blue paper, published by China's Social Sciences Academic Press(SSAP), said more Chinese are living a lifestyle in which the Internet has become a preferred channel for them to purchase goods, seek entertainment and acquire information.

The number of China's online shoppers topped 108 million in 2009, rising 45.9 percent from the previous year, according to the blue paper.

China has the world's biggest online population, which stood at 420 million by the end of June, up 36 million from December last year.

The increase was boosted by rising cell phone connections, said a report issued by the China Internet Network Information Center (CNNIC) in July.

The SSAP is a publishing institution under the leadership of the Chinese Academy of Social Sciences, a top government think tank.

- Online travel services on the rise (8th October)

(Xinhuanet) -- The Mid-Autumn Festival and National Day holiday this year caused problems for some employees because working days and rest days were split.

However, it had little effect on sales of flights and hotel bookings as China's burgeoning travel market enjoyed a seasonal boom.

The country's largest online travel agent, Ctrip.com International Ltd, said the number of orders during the Mid-Autumn Festival and the National Day holiday had increased year-on-year, especially for hotels and flights to Shanghai, where the World Expo was held this year.

Nasdaq-listed Ctrip.com did not disclose specific figures for its orders but said the increase was "obvious", in an e-mail to China Daily.

Taobao.com, a latecomer to the online travel market which launched its travel platform in May, said total sales of flight tickets, hotels and entrance tickets on Taobao have increased by 40 to 50 percent since August compared with the non-peak season.

Taobao earlier said the flights sold on its travel platform numbered 10,000 every day. More than 200 travel agents have set up online stores on Taobao since May.

The long holiday and the Shanghai World Expo will help accelerate the popularity of booking flight tickets, hotels and other travel-related services online, industry experts said.

According to domestic research firm iResearch Consulting Group, total online sales of flight tickets, hotel services and package travel products are expected to reach 4.75 billion yuan (\$709.91 million) this year, an increase of 27 percent year-on-year. The figure is forecast to rise to 9 billion yuan by 2013.

Regional report

North

Politics

Social front

Economic front

Northwest

Politics

Social front

- China's first provincial regulation on climate change only a prelude, say officials (8th October)

China's first provincial regulation on climate change, which went into effect in the northwestern Qinghai province on Oct 1, is a prelude to more such laws and regulations on the burning issue, government officials said on Tuesday.

The rule, under the name of Qinghai Regulation of Coping with Climate Change, has clarified a portfolio of adaptation and mitigation measures to reduce the risks of climate change in the Qinghai-Tibet Plateau, one of the most fragile ecological systems in the world.

The rule requires officials of local governments and State-owned companies to undergo evaluation on climate change-related criteria, including energy saving, emission reduction and water resource conservation.

China is in the process of creating a legal framework on fighting against climate change in every way possible, Sun Cuihua, deputy director of the climate change department of the National Development and Reform Commission (NDRC), said on the sidelines of the United Nations Climate Change Conference in Tianjin.

The Standing Committee of the National People's Congress, China's top legislature, last year adopted a resolution to address climate change and urged the introduction of relevant laws and regulations, said Ma Aimin, a division director of the department.

"Together with other government agencies, the process of drafting China's climate change law has already begun," Ma said. The government will extensively solicit opinions from the public, non-governmental organizations and enterprises, he said.

"A forceful legal framework will set a sound foundation for all actions on climate change," said Xu Huaqing, a senior researcher at the Energy Research Institute under the NDRC.

Xu said laying out laws to curb greenhouse emissions is the key to fulfilling China's target of cutting carbon emissions per unit of GDP by 40 to 45 percent by 2020 from its level in 2005.

Energy saving and greenhouse gas emission reduction will be highlighted in the 12th Five-Year Plan (2011-2015), which is under formulation, said Sun.

Clear and specific targets for emission reduction along with ratio of non-fossil fuels in primary energy consumption will be set in the development strategy for the next five years, she said.

Source: China Daily

Economic front

Northeast

Politics

Social front

Economic front

Southwest

Politics

Social front

Economic front

South central

Politics

Social front

Economic front

- Large rare earths deposit found in central China (7th October)

Geologists have discovered a large reserve of rare earths, which are vital for production of many high-tech products ranging from iPods to hybrid cars, in central China's Hubei Province, local authorities confirmed Thursday.

The newly-found deposit sits at the foot of Mt. Laoyin in Longba Township of Zhuxi County, in Shiyan City, a spokesman with the Hubei Provincial Land and Resources Department said.

"Geologists are investigating the make-up, structure, quality, size of the reserve," the

spokesman said.

Before the discovery, geologists had also found deposits of rare earths in 12 places in Zhushan, another county in Shiyan, he said.

Local authorities were yet to tap the rich geological resources.

"We are drawing up plans and measures to prevent the rare earths resources from being illegally mined," the spokesman added.

Rare earths, a class of 17 chemical elements that include minerals such as dysprosium, terbium, thulium, lutetium and yttrium, are widely used in the fields of the most sophisticated science and technologies like electronics, aviation, atomic energy, and mechanical manufacturing.

The Inner Mongolia Autonomous Region in north China has the largest reserves of rare earths in the country, or about 75 percent.

China is the world's largest rare earth producer, supplying more than 90 percent of the global demand.

China has stressed the sustainable development of rare earths mining.

"What we pursue is to satisfy not only the domestic demand but also the global demand of rare earths. We should not only stand from the present, but should also look forward to the future," Premier Wen Jiabao said Wednesday at the sixth China-EU Business Summit in Brussels.

Wen also reaffirmed that proper control and regulations were important and that China would not close the market.

"If the rare earths minerals were used up, how would the world and China deal with the problem?" he said.

Source: Xinhua

East

Politics

Social front

Economic front

- Construction starts on new nuclear generator in east China's Fujian (4th October)
Ningde Nuclear Power Plant in southeast China's Fujian Province has begun building its fourth generator, the plant said Sunday.

It is the last of the four generators in the first phase of construction.

The nuclear power plant will begin operating in 2012, making it the first of its kind in the province.

The plant is expected to generate 30 billion kWhs of electricity every year, guaranteeing a quarter of the province's annual power consumption, when all the four generators are in full swing in 2015.

The plant will also save 12 million tons of coal every year, or the equivalent of about 30 million tons of greenhouse gas emissions, it said.

Ningde nuclear power plant, co-funded and jointly run by Guangdong Nuclear Power Group, Datang International Power Generation Co. Ltd., and Fujian Energy Group Co. Ltd, started the construction of its first generator in 2008.

Another nuclear power plant in the province, Fuqing Nuclear Power Plant, is also expected to commence construction of its fifth and sixth generators before the end of this year. It is expected to start operating in 2013.

Source: Xinhua

- Shanghai aims to tackle speculation (8th October)

The Shanghai government has decided to impose a revised land appreciation tax (LAT) in the city as part of an effort to rein in soaring housing prices and market speculation.

The plan, which went into effect Thursday, will tax gains realized on the transfer of residential properties and serve to cap escalating developer prices, according to the Shanghai municipal government statement.

"The higher-than-usual LAT will discourage developers from setting exorbitant home prices," Chen Guoqiang, deputy director of the China Real Estate Society, told the Global Times Thursday.

The applicable tax rate will be progressive, ranging from 2 percent to 5 percent, and will be benchmarked against average new home prices over the past year, the statement said.

"The higher the home price, compared with surrounding properties, the more taxes the developers will have to pay," said Chen. He added that the new measure would encourage developers to sell homes at relatively lower prices, and at the same time increase the housing supply.

Shanghai's new rate will be the highest in the nation, and may serve to suppress soaring home prices soon, he said.

The government announced a total of 12 new policies Thursday, including forbidding

lending on third apartment purchases by the same party. They also moved to limit families to one new apartment purchase each.

Despite months of media speculation, plans for a new property tax was not included in the statement.

Early this year, the central government released a series of sector tightening policies in an effort to stifle rising home prices. These included raising the down payment and interest rates on second home mortgages. Several months after these measures were imposed, sales volume quickly shrank as prospective buyers took a "wait-and-see" attitude, hoping prices would drop.

But based on the latest home price numbers, the effectiveness of these measures appear to be short lived.

In August, the average home price in Shanghai hit 21,156 yuan (\$3,156.48) per square meter, up 9.54 percent over the previous month, according to realtors Savills (China).

Sales volume in Beijing and Guangzhou also increased last month without seeing home prices decline.

Source: Global Times

HONGKONG AND MACAU

Politics

Social front

- HK removes A/H1N1 from notifiable diseases list (8th October)

(Xinhua) -- A/H1N1 influenza was deleted from the list of statutorily notifiable infectious diseases of Hong Kong, a spokesman from Center for Health Protection of the Department of Health said Friday.

"Recent influenza surveillance data show that the overall influenza activity in Hong Kong has decreased compared with the past few weeks and the virus is no longer the dominant influenza strain," the spokesman said.

Hong Kong lowered its response level under the Framework of Government's Preparedness Plan for Influenza Pandemic from the "emergency" to the "alert" level since May 24, 2010.

Based on past experience, the virus was expected to take on the behavior of a seasonal influenza virus and continue to circulate in the community for some years, the spokesman added.

The World Health Organization announced on August 10, 2010, that the world was no longer in phase six of the influenza pandemic alert and was moving into the post-pandemic period.

Economic front

- Macao's domestic lending to private sector grows 0.1% in August (7th October)

(Xinhua) -- Macao's domestic loans to the private sector reached 116.8 billion patacas (14.6 billion U.S. dollars) in August 2010, an modest increase of 0.1 percent over the previous month, according to the figures released on Thursday by the Monetary Authority of Macao.

Some 36 billion patacas (4.5 billion dollars) of these loans were pataca-denominated while 73 billion patacas (9.1 billion dollars) were denominated in HK dollar, representing 30.8 percent and 62.5 percent of the total respectively, the figures from the Monetary Authority indicated.

External loans increased by 2.4 percent month-to-month to 110.7 billion patacas (13.8 billion dollars) in August, of which loans denominated in pataca and HK dollar accounted for 0.8 percent and 41.2 percent of the total respectively, according to the Monetary Authority.

As the growth pace of resident deposits was faster than that of domestic loans to the private sector, the loan-to-deposit ratio for the resident sector at the end of August 2010 contracted 0.6 percentage points from a month ago to 47.7 percent, the figures showed.

The ratio for both the resident and non-resident sectors was 71.9 percent during the period, up 0.3 percentage points from the previous month.

- Macao's resident deposits up 0.9% in August (7th October)

(Xinhua) -- Macao's resident deposits in August went up at a significantly slower pace by 0.9 percent over the previous month to 225.1 billion patacas (28.1 billion U.S. dollars), according to the figures released on Thursday by the Monetary Authority of Macao.

Of the resident deposits, pataca deposits and other foreign currency deposits respectively increased by 3.2 percent and 1.0 percent over the previous month, while Hong Kong dollar deposits fell slightly by 0.3 percent, the figures indicated.

Meanwhile, non-resident deposits dropped by one percent to 71.5 billion patacas (8.93 billion U.S. dollars) and public sector deposits with local banking sector grew continuously by 5.9 percent to 20 billion patacas (2.5 billion U.S. dollars).

Total deposits with local banking sector in August grew 0.7 percent over the previous month to 316.7 billion patacas (39.5 billion U.S. dollars), and the shares of pataca and HK dollar in total deposits were 24.3 percent and 46 percent respectively.

