

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

### **China**

**Fareeha Sarwar**

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## **National report**

## **Political front**

### **Foreign relations**

- China, France vow to enhance parliamentary cooperation (20<sup>th</sup> June)

(Xinhua) -- Top Chinese legislator Wu Bangguo met with Speaker of the French National Assembly Bernard Accoyer here Sunday with both sides vowing to enhance parliamentary cooperation.

"We should give full play to the role of parliamentary exchanges and cooperation to develop China-France ties. We should also keep in close communication at all levels," said Wu, chairman of the Standing Committee of the National People's Congress (NPC), China's top legislature.

He urged the two sides to make use of the established regular exchange mechanism and have in-depth discussions on major issues of common concern.

He also urged the strengthening of mutual trust and more cooperation to promote the China-France all-round strategic partnership.

Accoyer said the French National Assembly hopes to have a closer relationship with the NPC.

He said active parliamentary exchange between China and France will give a strong impetus to the development of bilateral relations.

The two parliamentary leaders also discussed China-France ties at the meeting.

Wu said a long-term, sound and stable strategic partnership is in the interests of both peoples.

The two sides should respect each other and have candid communication to expand their common interests and strengthen mutual trust, he added.

China and France should expand their dialogue on major international issues to develop the strategic partnership, he added.

He also called on the two countries to establish a close, long-term and sustainable trade partnership, saying the two sides should combine France's advanced technology and management experience with China's large market and successful companies.

Accoyer echoed Wu saying the French side will actively cooperate with China, both bilaterally and multilaterally.

Besides visiting Beijing, Accoyer will attend French National Pavilion Day activities at the Shanghai Expo on Monday.

- Chinese vice president calls for further deepening ties with Australia (20<sup>th</sup> June)

(Xinhua) -- Chinese Vice President Xi Jinping Saturday called for further deepening China-Australian comprehensive cooperative relationship as he arrived in Melbourne for a five-day official visit.

Great achievements have been scored in bilateral cooperation in economy, science and technology, cultural exchanges and judicial communications, and both sides have kept close coordination on major international and regional issues, Xi said in a written speech upon his arrival.

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

Later Saturday, Xi discussed with Victoria State Premier John Brumby ways to strengthen cooperation between the state and China.

Xi said exchanges and cooperation at state and provincial level are important to bilateral ties. In recent years, friendly cooperation between Victoria State and China has achieved positive results, especially in trade and education.

He suggested that joint efforts be made in technological cooperation, especially the hi-tech sector such as the research and manufacturing of clean energy automobiles.

He also called for more extensive people-to-people and cultural communications, citing the Shanghai World Expo as an ideal opportunity for strengthening mutual understanding between the two peoples.

Premier Brumby said Victoria and China have a longtime friendship and cooperation between the two sides, which has enjoyed strong momentum of development in recent years.

Xi is scheduled to meet with Australian Prime Minister Kevin Rudd Monday and both will address a Sino-Australian economic forum in the Parliament.

Australia is the last leg of Xi's four-nation tour, which has taken him to Bangladesh, Laos and New Zealand.

- Peace NGO forum highlights Sino-U.S. communication, cooperation (20<sup>th</sup> June)  
(Xinhua) -- Communication between China and the United States should be strengthened and cooperation broadened to boost the two nations' bilateral ties and promote world peace and development, an official with China's largest non-governmental organization (NGO) for peace said Sunday.

As the world's biggest developing country and the world's No.1 developed country, China and the U.S. shoulder important responsibilities in areas including the global economic recovery, the resolving of international and regional problems and the maintenance of world peace and security, said Li Jinjun, an advisor with the Chinese People's Association for Peace and Disarmament (CPAPD), China's biggest peace NGO.

Li made the remarks at the third China-U.S. non-governmental peace forum held Sunday in Changzhou City, east China's Jiangsu Province.

The forum was jointly sponsored by the CPAPD and the U.S.-based American Friends Service Committee (AFSC), both organizations with high prestige in their respective countries and both dedicated to the promotion of world peace and disarmament and social justice and universal development.

The forum, attended by nearly 60 officials and scholars from the two nations, covered three topics: international peace and security; Sino-U.S. trade; and social governance; according to Yan Junqi, vice president of the CPAPD and also a vice chairwoman of the Standing Committee of China's National People's Congress.

The first two forums were held in Beijing in 2008 and in Washington in 2009.

- China, U.S. to enhance collaboration in public health (22<sup>nd</sup> June)  
(Xinhua) -- Senior officials from China's Ministry of Health (MOH) and the U.S. Department of Health and Human Services (HHS) have pledged to improve collaboration in the public health sector.

"This is an absolutely critical time for public health in China, in the United States and around the world, and we have much to learn from one another, and much to teach for one another," said Howard Koh, HHS assistant secretary of health, at a China-U.S. Health Policy Forum in Beijing.

Chinese vice health minister Huang Jiefu expressed hope that through in-depth communication in the areas of health policy, public health and disease control, the two countries would enhance cooperation at a global level.

Koh said the policy forum on Monday was a tangible outcome of the second China-U.S. Strategic and Economic Dialogue, and it provided a tremendous opportunity for the two sides to do even more in public health.

Koh said both nations faced issues of cardiovascular disease, cancer, hepatitis and tobacco dependence, and had much to teach one another.

The topics addressed by the forum included the challenges, progress, reform, and achievements of the two health care systems, health financing and insurance, disease control and public health services, and medical services and hospital management.

The forum also served as the opening ceremony of the 2010 Advanced International Courses of Health Development and Reform in China.

In June 2005, the MOH, Harvard University and Tsinghua University signed a tripartite memorandum to carry out the China Senior Health Executive Training project together.

Huang said the project had trained more than 100 senior health care executives for China over the past five years.

- China seriously concerned over U.S. aircraft carrier reports: FM spokesman (22<sup>nd</sup> June)

(Xinhua) -- China was seriously concerned over reports that a U.S. aircraft carrier might join a military exercise with the Republic of Korea (ROK), Foreign Ministry spokesman Qin Gang said Tuesday.

The United States and the ROK reportedly decided to hold a military drill and the U.S. side was considering sending an aircraft carrier to join the exercise in the Yellow Sea off the ROK's western coast, according to media reports.

China was seriously concerned about relevant reports, and was closely following the development of the matter, Qin said at a regular news briefing.

"Under current situations, relevant parties should exercise restraint and refrain from doing things that may escalate tensions and harm the interests of the countries in the region," said Qin.

- Chinese inland province, Mongolia vow to expand ties (23<sup>rd</sup> June)

(Xinhua) -- China's Inner Mongolian Autonomous Region and neighboring Mongolia have vowed to expand economic, educational and cultural cooperation fight desertification.

The Inner Mongolian Autonomous Region would further expand its relations with Mongolia, Hu Chunhua, Communist Party of China chief of the Inner Mongolia Autonomous Region, said on Monday during a visit to Mongolia.

Hu, who is also chairman of the Standing Committee of the People's Congress of the Inner Mongolia Autonomous Region, was heading a delegation from the region.

Hu met with Mongolian Deputy Prime Minister Miyegombo Enkhbold on Monday.

The two sides exchanged views on boosting exchanges and cooperation in agriculture, education, culture, mining and infrastructure, and on free economic zones and border checkpoints. They also discussed cooperation among the bordering areas and in the fight against desertification.

They agreed on efforts to implement what leaders of the two countries have agreed during the exchanges of visits this year.

- Chinese premier pledges to enhance cooperation with Slovenia (23<sup>rd</sup> June)

(Xinhua) -- Chinese Premier Wen Jiabao Wednesday pledged to work with Slovenia to increase exchanges and cooperation.

"This will benefit the two peoples," Wen said during the talks with visiting Slovenian Prime Minister Borut Pahor.

Hailing the smooth development of China-Slovenia relations since forging diplomatic ties 18 years ago, Wen said the two peoples had enjoyed profound friendship.

China applauded Slovenia's adherence to the one-China policy, Wen said, hoping that Slovenia would continue playing a positive role in the European Union to promote EU-China relations.

Wen said China valued the economic and trade cooperation with Slovenia, and supported domestic businesses taking part in Slovenia's infrastructure construction and expanding investment there.

Wen hoped the two nations could expand exchanges in tourism and education to deepen mutual understanding between the two peoples.

Pahor spoke highly of China's remarkable achievements of development, believing that China would contribute more to promoting world peace and development.

Slovenia attached strategic importance to relations with China, and strongly favored increasing friendly cooperation with China, Pahor said.

He hoped the two nations would maintain high level contacts and strengthen economic and cultural exchanges.

Pahor said Slovenia opposed trade protectionism, and welcomed Chinese investment.

Slovenia would create sound conditions for cooperation between the two countries' businesses, and would make efforts to advance EU-China relations, he said.

The Slovenian Prime Minister also extended his sympathies to those affected by floods in South China.

Pahor is on a four-day working visit to China, including a stop in Shanghai for the events marking Slovenia Day at the World Expo.

- Chinese president arrives in Canada for state visit, G20 summit (23<sup>rd</sup> June)

(Xinhua) -- Chinese President Hu Jintao flew into Ottawa, capital of Canada, Wednesday for a state visit, and later he will travel to Toronto for a summit of the Group of Twenty (G20), which aims to secure the global economic recovery and address economic challenges and risks.

In a statement released upon his arrival at the airport, Hu said that China is ready to work with Canada to further expand exchanges and cooperation in various fields, push forward the China-Canada strategic partnership and bring even more benefits to the people of the two countries and around the world.

Hu said that during his visit, he will have extensive meetings and in-depth discussions with Canadian leaders and people from all sectors of Canadian society to explore with them effective ways to advance China-Canada strategic cooperation.

Under the current international situation, Hu said, China and Canada share broad common interests and vast potential for cooperation in many areas, ranging from

promoting economic growth in both countries and the world to resolving regional hotspot issues and meeting various global challenges.

"China always values China-Canada relations," Hu stressed, adding that bilateral exchanges and cooperation have made positive progress in such fields as economy, trade, energy, science, technology, education, culture, health, environmental protection, justice and law enforcement.

This year marks the 40th anniversary of the establishment of diplomatic relations between China and Canada. Hu said that over the past four decades, the development of China-Canada relations has delivered real benefits to the people of the two countries and greatly contributed to regional and global peace, stability and prosperity.

Hu was greeted at the airport by Canadian Foreign Minister Lawrence Cannon. During his visit, Hu will meet Canadian Governor-General Michaëlle Jean and Prime Minister Stephen Harper and exchange views on the development of China-Canada relations and major world and regional issues of mutual interest, Chinese diplomats said.

The two countries will sign a number of cooperation documents during Hu's visit, they said.

In September 2005, President Hu paid a state visit to Canada. And last December Prime Minister Harper paid his first visit to China since he took office in 2006.

During Harper's visit, President Hu and other Chinese leaders met Harper and had an in-depth, candid and productive exchange of views on China-Canada relations and major international and regional issues of mutual interest, finding consensus in many areas.

The two sides agreed to work together to further promote China-Canada cooperation in all bilateral areas and international affairs, as bilateral relations enter a significant new era. At present, China is Canada's second largest trade partner while Canada is China's 13th. In 2009, their two-way bilateral trade reached 29.7 billion U.S. dollars.

In the first four months of this year, bilateral trade stood at 10.2 billion dollars, an increase of 19 percent over the corresponding period last year.

"Canada and China are laying the groundwork for a new decade of growth by deepening cooperation in a wide number of areas," said Canadian Prime Minister Harper in a statement on Hu's visit last Friday.

"It is a fitting tribute to 40 years of diplomatic relations based on mutual respect and collaboration," he said.

From Ottawa, President Hu will travel to Toronto to attend the G20 summit this weekend. Hu attended the Washington summit in November 2008, the London summit in April 2009 and the Pittsburgh summit last September.

At the previous three summits, leaders of G20 members coordinated global response to the financial and economic crisis, implemented stimulus measures to restore the world economy, and agreed on actions to strengthen financial regulation and the reform of international financial institutions. They also agreed to promote trade and resist protectionism.

The interventions by G20 members have effectively mitigated the impact of the crisis, and promoted a quicker transition to economic recovery.

"The G20 Toronto Summit will focus on recovery from the global economic and financial crisis and the implementation of commitments from previous G20 summits, while laying the foundation for sustainable and balanced growth," says a document entitled "G20 Toronto Summit" issued by Canada, the host of the summit.

A senior Chinese official said that at the Toronto summit, the leaders are expected to discuss a wide range of issues, such as the world economic situation, the European debt crisis, the Framework for Strong, Sustainable and Balanced Growth, the reform of the international financial institutions, the world trade and the strengthening of financial regulations.

"China hopes that the G20 members at the Toronto summit would fully implement the Framework for Strong, Sustainable and Balanced Growth and enhance communication and coordination of macro-economic policies to support the global economic recovery," said Cui Tiankai, vice foreign minister of China, at a press conference last Friday.

He said that G20 members should push the International Monetary Fund (IMF) to finish a new round of quota reform to give more representation to emerging markets and developing countries before the Seoul summit in November this year, improve the international financial system and deepen the reform of the international regulatory system.

At Toronto meeting, the G20 leaders should pay greater attention to development problems and provide political support to the United Nations' high-level meeting on the Millennium Development Goals in September this year, and oppose trade protectionism and promote the completion of the Doha round of trade talks, he added.

Established in 1999, the G20 consists of Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, the Republic of Korea, Russia, Saudi Arabia, South Africa, Turkey, Britain, the United States and the European Union.

- U.S. official says U.S.-China relations should not be portrayed as a zero sum game (24<sup>th</sup> June)

(Xinhua) -- China represents a huge opportunity for American businesses, and the relationship between the two countries should not be portrayed as a zero sum game, Commerce Secretary Gary Locke said on Wednesday.

"There are so many opportunities for trade to benefit both China and the United States," Locke said at a Senate Finance Committee hearing.

"I have seen those benefits first hand over the last 20 years, as Commerce Secretary, as an attorney in private practice, and as the governor of Washington State, where I helped double exports to China during my tenure."

According to Locke, thanks to strong Chinese demand growth and recovery in prices of agricultural products, now the U.S. exports to China are growing faster than overall U.S. exports.

"We should neither underestimate the importance of the China market nor the potential it holds for American exporters who tap into it."

During the same hearing, Ron Kirk, the U.S. trade representative, also hailed the opportunities provided by the China's growing economy.

"Thanks to China's strong recovery from the global recession, we have seen double digit growth in a variety of export sectors, ranging from high-end manufactured goods and chemical products to agricultural goods like soybeans," said Kirk.

U.S. goods and services exports to China totaled 85 billion dollars in 2009, and China is the U.S. third largest export market.

However, the two U.S. top trade officials also bluntly attacked some Chinese economic policies, vowing that the Obama administration will take strong actions to tackle the trade disputes with China.

"When cooperation and dialogue are not enough, we are committed to utilizing all the tools we have available in order to make the progress we need," said Lock at the hearing.

- China concerns with Japanese PM's "deterrent" remarks: FM (24<sup>th</sup> June)  
(Xinhua) -- China voiced concern Thursday over Japanese Prime Minister Naoto Kan's reported remarks that the military presence of the United States in Japan is an important deterrent to China.

Kan made the remarks during a debate session with leaders of other parties Tuesday, when responding to questions on the Japan-U.S. alliance. He also said he was "paying great attention to China's burgeoning military power and thinking that we must watch out for it."

Chinese Foreign Ministry spokesman Qin Gang told a regular news briefing that the Tokyo-Washington alliance, as a bilateral arrangement, should not exceed its bilateral scope and should not target any third country.

"China is a country that sticks to the path of peaceful development. It does not pose a threat to any other nation, and accepts no 'deterrent' from other countries," Qin said.

- China, Pakistan to hold anti-terror drill (24<sup>th</sup> June)  
(Xinhua) -- Chinese and Pakistani armed forces will hold a joint anti-terrorism drill in Qingtongxia in northwest China's Ningxia Hui Autonomous Region from July 1 to 11, China's Ministry of National Defense announced Thursday.

The drill, code-named "Friendship-2010," would be the third of its kind between the two countries, said ministry spokesman Geng Yansheng.

Each side was expected to send a special unit of more than 100 members to take part in the exercise, said Geng.

The exercise aimed to deepen the relationship between the two armies and promote pragmatic exchanges and cooperation while "enhancing their capabilities in fighting terrorism together and safeguarding regional peace and stability," Geng said.

China and Pakistan held their first-ever joint anti-terrorism exercise, "Friendship-2004," in Xinjiang's Taxkorgan Tajik Autonomous County bordering Tajikistan, Afghanistan and Pakistan. About 200 border soldiers from both sides participated.

The second joint anti-terror military drill, "Friendship-2006," was carried out in the hills of northern Pakistan's Abbottabad. More than 400 soldiers from both armies took part.

- China-Pakistan civilian nuclear cooperation for peaceful purposes: FM spokesman (24<sup>th</sup> June)

(Xinhua) -- A Chinese Foreign Ministry spokesman said here Thursday that the civilian nuclear cooperation between China and Pakistan was for peaceful purposes.

Such cooperation was based on equality and mutual benefit, spokesman Qin Gang said at a regular press briefing.

The cooperation fully complied with the two countries' respective international obligations and was subject to the supervision of the International Atomic Energy Agency (IAEA), Qin said.

- Cyprus, China to enhance economic, trade ties (24<sup>th</sup> June)

(Xinhua) -- Cyprus President Demetris Christofias said Thursday he hoped to enhance economic and trade cooperation with China in order to further boost the friendly ties between the two countries.

Christofias told a Chinese commerce delegation that Cyprus was a trustworthy political and economic partner of China, noting that mutually beneficial trade and economic cooperation between the two countries had broad potential.

The president invited Chinese enterprises to invest and tourists to spend their holidays in the east Mediterranean island state.

Chinese Vice Commerce Minister Zhong Shan suggested the two countries broaden the spectrum of cooperation, such as collaboration in trade, investment, energy, shipping, tourism and agriculture.

Cyprus Minister of Commerce, Industry and Tourism Antonis Paschalides held talks with the Chinese delegation headed by Zhong Thursday, focusing on how to enhance economic and trade cooperation.

The two ministers also witnessed a signing ceremony for China to import antibiotics from a Cypriot pharmaceutical company.

- Chinese VP's four-nation tour promotes friendship, mutual trust: official (25<sup>th</sup> June)

(Xinhua) -- Chinese Vice President Xi Jinping's visits to Bangladesh, Laos, New Zealand and Australia had contributed to promoting friendship, mutual trust and cooperation between China and these countries, a senior Chinese official said Thursday.

Xi paid official visits to the four nations between June 14 and June 24, meeting with leaders and exchanging views on a wide range of issues, witnessing the signing of a series of bilateral cooperation agreements, addressing business forums and attending cultural activities.

"The visits boasted great achievements. It was a successful trip of friendship and substantial cooperation," said China's Vice Foreign Minister Zhang Zhijun, who accompanied Xi for the tour.

During the 11-day visits, Xi visited seven cities in four nations and attended more than 50 official activities, which were reported abundantly and positively by the media of the host countries and international community, Zhang said.

#### CLOSER FRIENDSHIP, MUTUAL TRUST

Senior officials and the public, especially the business world, warmly welcomed Xi's visits. The leaders reached important agreement in consolidating and enhancing bilateral relations, Zhang said.

It was widely believed the tour had great significance for promoting friendship and mutual trust and expanding pragmatic cooperation, he said.

Zhang noted large-scale economic and trade activities held during Xi's visits aroused widespread interests in these countries.

Xi pledged to establish a closer comprehensive partnership of cooperation between China and Bangladesh and to strengthen the comprehensive strategic cooperative partnership with Laos.

In New Zealand, Xi urged both sides to develop the potential for economic cooperation while making full use of the China-New Zealand Free Trade Agreement (FTA), and to make trade and investment more balanced, smooth and comprehensive.

In his visit to Australia, Xi said China was willing to promote bilateral political and strategic mutual trust, and dedicate to a long-term stable and comprehensive cooperative partnership.

Xi also introduced China's views on climate change, the Korean peninsula situation, and regional peace, stability and cooperation.

"His introduction has increased all sides' understanding of China's stance on the key issues," Zhang said.

#### COOPERATION FOR COLLABORATIVE DEVELOPMENT

An important theme of Xi's trip was strengthening wide, mutually beneficial and pragmatic cooperation. He sent a clear message to the world that China was ready to develop economic and trade ties with other countries, Zhang said.

"Through meetings and talks on various occasions, the vice president set the directions and priorities of cooperation, thus strengthening the willingness of the four countries to cooperate with China."

Xi promised China would continue to provide Bangladesh with adequate assistance, encouraging more Chinese enterprises to invest there. He also raised specific suggestions on promoting the trade between China and Laos.

When talking about Xi's speeches on economic and trade cooperation in New Zealand and Australia, Zhang said Xi's ideas gained close attention and a warm response in the two countries and the international community.

While attending the opening ceremony of the China-New Zealand FTA Seminar, Xi put forward a four-point proposal to promote comprehensive cooperation in trade and investment.

Speaking to a business luncheon, Xi said Australia and China should boost strategic cooperation on energy and resources, push for a free trade agreement and oppose protectionism in trade and investment.

#### WIDER HUMANITARIAN EXCHANGES

The Chinese vice president called for more extensive cultural communications, citing the Shanghai World Expo as an ideal opportunity for strengthening mutual understanding between the peoples.

Xi met those dedicated to promoting Bangladesh-China friendship and Laotians who studied in Beijing in the 1960s. In New Zealand and Australia, he attended various ceremonies at Confucius institutes and research centers cooperating with Chinese scholars.

All these showed the importance the Chinese leader has attached to the humanitarian exchanges, Zhang said.

After a 30,000 km tour, Xi and his delegation arrived in Beijing Thursday afternoon.

- Chinese president calls for healthy, stable growth of ties with Canada (25<sup>th</sup> June)

(Xinhua) -- Chinese President Hu Jintao said here Thursday that China is ready to work with Canada to further advance bilateral ties in a healthy and stable way.

Hu made the remarks as he met with Michael Ignatieff, head of the Canadian Liberal Party, an opposition party in the country. He pointed out that since the two countries established diplomatic ties 40 years ago, they have made huge progress in bilateral relations.

The Chinese president said under the current international situation that is undergoing profound changes, the two countries share broad common interests and foundation for cooperation in such areas as promoting their own economic growths and the world economy, pushing for resolution of regional hotspot issues and addressing global challenges.

Advancing China-Canada relations conforms with the common aspiration of the peoples of both countries, Hu added.

Hu also said his country is ready to work with Canada to perceive and develop bilateral links from a strategic height and with a long-term perspective. He said the two countries should increase exchange of visits by leaders so as to enhance mutual trust. They should also enhance pragmatic cooperation in various areas and carry out close communications and coordination on regional and international issues.

Hu pointed out that the Canadian Liberal Party has actively pursued a friendly policy toward China over the years. China will never forget the important role that the Canadian Liberal Party has played in advancing bilateral links, he said.

Hu said China places importance on its relations with the Canadian Liberal Party and wishes that the party continue to care for and support expansion of China-Canada relations.

Ignatieff welcomed Hu to Canada. He said the Canadian Liberal Party has always insisted on promoting relations with China and will continue to work for advancing bilateral ties in various aspects. He hoped that the strategic partnership between Canada and China will be further expanded.

On Thursday Hu also met with former Canadian Prime Minister Jean Chretien. He thanked Chretien for his contribution toward the development of China-Canada relations. He expressed the hope that Chretien will continue to work to advance bilateral links and make fresh contribution to cooperation and friendship between the two countries.

Chretien said he was delighted to see the resumption and expansion of bilateral links. He expressed willingness to continue work for bilateral cooperation in all fields.

The Chinese president arrived in Ottawa on Wednesday for a state visit to Canada. He will fly to Toronto to attend a summit of the G20 on Friday.

- China draws world's attention ahead of G20 summit (25<sup>th</sup> June)

(Xinhua) -- Since the first Group of 20 (G20) Summit in November 2008, the attention China has been getting has shifted from that of a turn-round-to, to that of a look-up-to, analysts said.

Two years ago, almost all developed economies turned round to look at what actions China took to cope with the financial crisis. Now in the midst of a uneven global recovery, China has become one being looked up to by developing and developed economies for its leading if not exemplary roles.

As the curtain is about to rise at the upcoming fourth G20 summit in Toronto, Canada, China and the crucial roles she is playing once again draws the world's attention.

### **A STEADY STABILIZER IN GLOBAL DEVELOPMENT**

Prior to the first G20 summit, China has since been managing to sustain a rather fast growth rate while taking an active part in orchestrating with other economies, developed and developing alike, to push for a global recovery through reformed and renewed financial and economic mechanisms.

Despite the fact it is still a developing country itself, China alone has contributed toward half of the global GNP growth in the time of crises.

Amidst downslides of the United States, eurozone and Japan, China not only curbed the domino ripple in the country with a bolder-than-predicted stimulus package but also succeeded in effecting a lead in the recovery.

It is its early lead off the blocks that is now being more than looked at by others.

Canadian Prime Minister Stephen Harper, soon to host the fourth G20 Summit, has described what China has done as a contribution to the global recovery and a great assistance to the international community in its crisis management.

Takashi Sekiyama, a senior researcher from Japan's Meiji University and with the Tokyo Consortium, has rated China's contribution to the global economic development during this hard period as the "biggest."

- China, Serbia vow to enhance bilateral ties (25<sup>th</sup> June)

(Xinhua) -- China and Serbia on Friday discussed the development of bilateral ties, pledging to further enhance relations.

The call for closer ties was made during a meeting between China's top legislator Wu Bangguo and visiting Serbian Prime Minister Mirko Cvetkovic, who was invited by Chinese Premier Wen Jiabao for a working visit to China.

Hailing the current development of China-Serbia ties, Wu said the bilateral relationship had endured major international challenges and witnessed smooth development.

China attaches importance to the relationship with Serbia, and will work with it to keep high-level contacts, strengthen parliamentary exchanges, expand trade, and carry out cooperation in electricity and infrastructure construction, so as to push forward the China-Serbia strategic partnership, he said.

Cvetkovic said Serbia saw China as an important strategic partner, hoping to have closer political contact with China and to expand trade and two-way investment, so as to consolidate relations.

Wu also expressed gratitude for Serbia's valuable support on issues concerning China's core interests and major concerns. He added that China respected Serbia's sovereignty and territorial integrity, as well as the country's development path.

Cvetkovic echoed Wu in saying Serbia and China shared a traditional friendship. The Serbian government and people were grateful for China's understanding and support.

He also spoke highly of the active efforts China has made to cope with the international financial crisis, and China's contribution to the world economic recovery. He said China is a major force in promoting world peace and development.

The visit of Cvetkovic runs from June 24-28.

- Chinese, Indonesian leaders meet on G20 sidelines for cooperation (26<sup>th</sup> June)

(Xinhua) -- Chinese President Hu Jintao met Indonesian President Susilo Bambang Yudhoyono Saturday on further development of strategic partnership between their two countries.

Hu and Susilo met on the sidelines of the Group of 20 (G20) Summit, which begins Saturday and focuses on ways to secure the global economic recovery and address the economic challenges and risks.

Hu said Chinese-Indonesian relations had developed favorably this year.

At the start of the year, the two sides signed an action plan for strategic partnership, while cooperation in the sectors of economy and trade, culture and education had witnessed smooth development.

The two sides also reached an important consensus on deepening defense cooperation and maintained good coordination and cooperation on international and regional affairs within the framework of the United Nations and G20, Hu said.

Hu said China attached much importance to boosting strategic partnership with Indonesia. The Chinese side proposed the two sides maintain high level exchanges, welcoming Susilo to visit China to attend the Shanghai World Expo and the expo between China and the Association of Southeast Asian Nations (ASEAN), Hu said.

China was also willing to enlarge investment in Indonesia and supported Chinese companies to take part in major projects of Indonesia's infrastructure building, he said.

The two sides would work together to hold activities marking the Chinese-Indonesian friendly year to strengthen the traditional friendship between the two peoples, Hu said.

He said the two countries should also enhance coordination and cooperation in international and regional affairs in a bid to set up more justice and reasonable international political and economic orders.

On China's relations with ASEAN, Hu said China was ready to see a more united, stable and prosperous ASEAN and would continue to support its efforts towards integration and its leading role in east Asia cooperation.

China would join hands with ASEAN in maintaining and building the China-ASEAN Free Trade Area (CAFTA), enhance the China-ASEAN cooperation in infrastructure and financial fields and expand humanitarian exchanges, Hu said.

Susilo said the Chinese-Indonesian strategic partnership was developing well with closer political, economic and security cooperation.

Indonesia sincerely hoped to strengthen cooperation with China to enhance the bilateral relations and safeguard the common interests of developing countries, Susilo said.

Indonesia was willing to maintain high-level contacts and welcomed Chinese enterprises to invest in infrastructure and tourism, he said.

Both China and ASEAN should guarantee the implementation of the CAFTA, Susilo said, adding that Indonesia hoped China could keep its important role in G20 to contribute to the Asian and global economic growth.

Relations between China and Indonesia have grown substantially since the two countries set up diplomatic ties 60 years ago.

In 2005, the two countries signed a joint declaration on the establishment of a strategic partnership.

In 2006, China and Indonesia launched a dialogue mechanism at the vice-premier level.

Trade cooperation between the two countries has also expanded in recent years.

In 2009, two-way trade was valued at 28.3 billion U.S. dollars. And in the first three months of this year, bilateral trade stood at 8.8 billion dollars, a 78 percent increase over the corresponding period of last year.

## **Economic front**

- China reiterates no one-off moves in RMB exchange rate reform (20<sup>th</sup> June) (Xinhua) -- The People's Bank of China (PBOC) said Sunday it will not conduct a one-off revaluation of the RMB (yuan) exchange rate.

The PBOC said it will keep the yuan basically stable at a reasonable and balanced level and manage and adjust the RMB exchange rate based on the floating bands previously announced in the interbank foreign exchange market, a statement posted on its website said.

The PBOC aims to promote China's balance of international payments while safeguarding the stability of the nation's macro economy and financial markets, the statement said.

The statement came one day the PBOC announced it would further promote the reform of the RMB (yuan) exchange rate regime and increase the flexibility of the RMB exchange rate.

The move is in line with China's long-term fundamental interests, as it promotes the economic structure adjustments which will lead to sustainable growth.

The floating currency exchange rate will help guide resources to the service industries, which will upgrade the industry while reducing the nation's trade imbalance and its reliance on exports, the statement said.

The statement also said a flexible currency exchange rate regime will help curb inflation and asset bubbles and create a more favorable international development environment for China.

Sunday's statement emphasized the yuan be pegged to a basket of currencies given its close ties with a number of trade partners, adding that the U.S. dollar should not be the only gauge for judging the RMB exchange rate level.

Trade between China and the European Union in the first five months of the year accounted for 16.3 percent of China's total foreign trade volume, the statement said.

The United States, East Asian nations, and Japan accounted for 12.9 percent, 10.1 percent and 9.4 percent, respectively, according to the statement.

The PBOC decision signals its intention to leave the market more room to set the yuan's value, which is an irresistible trend and also a condition for the internationalization of the RMB, said Shen Minggao, Citibank's chief economist for greater China.

China moved to a managed floating exchange rate regime based on market supply and demand and referencing a basket of currencies on July 1, 2005.

The government narrowed fluctuation of the yuan's exchange rate in 2008 to keep the currency stable, in a bid to counter the global economic downturn, the statement said.

"A stable yuan was not only in the interests of China - it helped mitigate the impact of the global financial crisis," the statement said.

In the long run, currency reform will boost employment in the services sector, the statement said, adding that a floating exchange rate will prompt exports to shift to intensive processing, which will expand the industrial chain and create jobs.

But the statement noted a gradual adjustment is necessary to give enterprises time to adjust their business structure.

- International community reacts positively to China move on yuan reform (20<sup>th</sup> June)

(Xinhua) -- The international community has reacted positively to the pronounced move by the People's Bank of China to proceed further with its reform of the exchange rate regime so as to enhance the flexibility of the renminbi's or yuan's exchange rate.

U.S. President Barack Obama described the move as a "constructive step" while IMF Director-General Dominique Strauss-Kahn rated the move as "a very welcomed development."

"China's decision to increase the flexibility of its exchange rate is a constructive step that can help safeguard the recovery and contribute to a more balanced global economy , " said Obama in a statement.

The IMF chief noted that China's move "will help increase Chinese household income and provide the incentives necessary to re-orient investment toward industries that serve the Chinese consumer."

The European Union said "such a move will be beneficial for both the Chinese economy and the global economy," adding that the move would not only benefit China's own economy but also the economy of the world as a whole.

"The implementation of the decision will help achieve more sustainable growth in the global economy, contribute to reduce external imbalances and strengthen the stability of the international monetary and financial system , " the 27-nation bloc said in a statement.

The statement even hailed the move as "providing an important contribution to the success of the G20 Toronto summit."

U.S. Treasury Secretary Timothy Geithner also welcomed China's decision to further reform its exchange rate mechanism and expected further cooperation with his Chinese counterpart within G20 to promote the economic recovery.

His views were shared by Canadian Prime Minister Stephen Harper. "This is an important step forward and its full implementation will contribute to strong, sustainable and balanced global growth," Harper said.

"We look forward to additional steps by G20 countries at the Toronto summit to improve the economic prospects of all of our citizens," he added.

The People's Bank of China, the country's central bank, made the announcement ahead of the G20 summit which focuses on bettering international economic governance.

- EU welcomes further reform of China's exchange rate regime (20<sup>th</sup> June)

(Xinhua) -- The European Union (EU) on Saturday welcomed the decision by China to proceed further with the reform of its currency RMB exchange rate regime and to resume the RMB exchange rate flexibility.

"Such a move will be beneficial for both the Chinese economy and the global economy," the European Commission, the EU's executive arm, said in a statement.

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

"The implementation of the decision will help achieve more sustainable growth in the global economy, contribute to reduce external imbalances and strengthen the stability of the international monetary and financial system," the commission said.

The commission said it looks forward to work closely with the Chinese authorities bilaterally and in the G20 to address successfully the current challenges to the global recovery.

"By enhancing the flexibility of the RMB exchange rate, the Chinese authorities are providing an important contribution to the success of the G20 Toronto summit," it said.

- Obama says China's currency move "a constructive step" (20<sup>th</sup> June)

(Xinhua) -- U.S. President Barack Obama said China's decision Saturday to further reform its currency yuan exchange rate regime is a "constructive step."

"China's decision to increase the flexibility of its exchange rate is a constructive step that can help safeguard the recovery and contribute to a more balanced global economy," Obama said in a statement.

"I look forward to discussing these and other issues at the G20 Summit in Toronto next weekend."

The People's Bank of China, China's central bank, earlier on Saturday announced a decision to proceed further with the reform of the exchange rate regime to enhance the flexibility of the yuan, also known as renminbi (RMB)'s exchange rate.

U.S. Treasury Secretary Timothy Geithner on Saturday also welcomed China's decision to further reform its exchange rate mechanism.

"We welcome China's decision to increase the flexibility of its exchange rate," Geithner said. "Vigorous implementation would make a positive contribution to strong and balanced global growth. We look forward to continuing our work with China in the G20 and bilaterally to strengthen the recovery," he said.

In a recent Congress hearing, Geithner reaffirmed that China's yuan is a sovereign currency and the decision on reforming its exchange rate mechanism should be made by the Chinese government.

Geithner said a stronger RMB would benefit China because it would boost the purchasing power of households and encourage firms to shift to production for domestic demand, rather than for export.

He also noted that even though the RMB was held essentially fixed to the U.S. dollar over the past two years, China's currency appreciated by about nine percent against the weighted average of the currencies of its trading partners.

According to Geithner, the economic strengths of America and China are complementary. In the first quarter of 2010, U.S. goods exports to China rose almost 50 percent compared to the same period the year before, while U.S. exports to the rest of the world have risen by less than 20 percent.

Geithner said that the United States and the American people "have benefited, and must continue to benefit, from strengthening our economic relationship" with China.

"We cannot afford to miss the opportunity that China's growth presents, not to shrink from the challenges it poses," he said.

- Chinese gov't stresses exporters' corporate social responsibility after Foxconn suicides (20<sup>th</sup> June)

(Xinhua) -- The Ministry of Commerce is using CSR (Corporate Social Responsibility) indicators like environmental protection and employee welfare to appraise exporters - including domestic- and overseas-funded enterprises - to ensure they meet international standards.

The use of the indicators reflects the government's hope Chinese companies will fulfill their CSR responsibilities, Vice-Minister Ma Xiuhong said Saturday at the 2010 China CSR Annual Conference.

The conference was organized by the China Association of Enterprises with Foreign Investment (CAEFI), the China Charity Federation (CCF), the Chinese Private Economy Research Association (CPERA), and the China Enterprise News.

CAEFI President Shi Guangsheng spoke highly of foreign-funded firms' role in promoting CSR principles in the country.

"Foreign-funded companies are both beneficiaries and contributors in China's economic development," he said.

According to Fan Baojun, president of the CCF, enterprises of various kinds have become major donors with their contributions rising every year.

Fan said domestically-funded firms gave the CCF 200 million to 300 million yuan (29 million-44 million US dollars) in the early 1990s but it has now reached 1 billion yuan.

In 2008, the year a deadly earthquake killed more than 80,000 people in southwest China's Sichuan Province and neighboring areas, companies donated over 4 billion yuan. Last year, even though there was no call for donations to help disaster-affected people, donations from enterprises reached 4.6 billion yuan.

Yuji Kiyokawa, president of the Japan-China Economic Association, said Chinese companies can share their CSR experiences with Japanese counterparts to achieve both ethical and financial ends.

At the meeting, some discussed recent incidents concerning corporate behavior, including the spate of suicides by employees of Foxconn, one of the world's largest manufacturers of electronic products.

Meeting participants urged companies to take the welfare of employees seriously.

The conference gave awards to 62 companies, both domestic and foreign-funded, for their CSR efforts.

- "Hot Money" controllable as yuan reform proceeds (21<sup>st</sup> June)

(Xinhuanet) -- China will be able to keep inflows of speculative capital under control even if the latest clarifications on its yuan policy trigger any influx of "hot money", a former central bank adviser has said.

The People's Bank of China, the central bank, said in a statement on Saturday that it will proceed further with the reform of the yuan exchange rate regime to enhance its rate flexibility. The move has been interpreted as the start of allowing the yuan to rise against the US dollar after it remained stable for 23 months.

On Sunday, the central bank said in a statement that it will maintain a stable exchange rate and there will be no drastic fluctuation in the value of the yuan. There will be no one-

off adjustment in the value of the yuan and the fluctuation of its value must be "controllable" to prevent market forces from causing excessive swings, it said.

"The basis for large-scale appreciation of the yuan exchange rate does not exist," it said.

The statement emphasized the yuan be pegged to a basket of currencies, adding that the US dollar should not be the only gauge for judging the renminbi exchange rate level.

Keeping the rate at a "reasonable, balanced level" will contribute to economic stability and help restructure the Chinese economy with greater emphasis on services and consumption, it said.

"The stance is clear: The yuan will enter a track of gradual appreciation," said Zhang Xiaojing, an economist with the Chinese Academy of Social Sciences.

"Although depreciation cannot be ruled out given the falling euro, the yuan could rise in the short term."

Still, the approach has triggered concern that more speculative capital, or "hot money", will flow into the country to gain from any continual appreciation of the yuan.

"The possibility is there," said Yu Yongding, a former member of the central bank's monetary policy committee.

"But we should not panic and stop allowing the yuan to get more flexible simply because of that; we can keep it under control by enhancing cross-border capital control," Yu, who is also head of the China Society of World Economics, told China Daily.

"More flexibility does not mean one-way appreciation," he said. "It would be a two-way movement, which would help thwart currency speculation."

The country's decision to shift to a basket of currencies as a reference for the yuan's value will also give policymakers more room to maneuver in their effort to control cross-border capital flows, he said.

The gradualist way of currency appreciation, while causing more inflows of speculative capital, will help control such adverse capital movement, analysts said.

If the annual appreciation of the currency can be kept below 3 percent, it will make it hard for speculators to profit, since they will have to pay dual-way transaction costs that will be close to what they can gain from a rising yuan, said Zhou Shijian, senior economist at the China-US relations research center of Tsinghua University. "If the yuan rises, it must be narrow-floating."

A hasty, swift appreciation of the yuan will make it difficult to control an influx of "hot money" and endanger the Chinese economy, Zhou said, citing widespread trade sector bankruptcies and job losses in the country from October 2007 to July 2008, when the yuan appreciated by 11 percent against the dollar, compared with about 8 percent in the previous two and a half years.

"By claiming that there would be no one-off revaluation this time, the authorities have obviously learnt from that experience," Zhou said.

The yuan has risen by 21 percent against the greenback since 2005. Economists said that if the currency rises gradually, it will benefit the Chinese economy, although it could also bring about uncertainties as the lingering European debt crisis will dampen Chinese exports to Europe, China's largest trade partner.

A rising yuan will also make Chinese imports cheaper, they said. China is now a major importer of such commodities as oil and iron ore.

Similarly, the country's economic restructuring could accelerate toward a services- and consumption-driven economy.

In the short term, efforts to control inflation will be beneficial as well, said Nouriel Roubini, an economist and chairman of economics consultancy Roubini Global Economics.

"Given the context that (China's) inflation is rising, a gradual process of appreciation of the yuan against the dollar is useful not only for the US, but more so for China, because domestic consumption would be cheaper, and it would allow credit policies to cool off."

(Source: China Daily)

- China's exchange rate reform to make exports more competitive: commerce ministry (21<sup>st</sup> June)

(Xinhua) - China's move to proceed with the reform of the Renminbi exchange rate will help increase the competitiveness of the country's exports on the global market, Yao Jian, spokesman of the Ministry of Commerce, told Xinhua Monday.

Yao said the reform might increase pressure on China's export businesses in the short term, as they were likely to face higher material costs. Rising labor costs and the debt crisis in Europe would also affect China's exports, he added.

In the long run, however, export businesses would improve business management and expand the industrial chain to make themselves more competitive internationally, he said. The People's Bank of China said, over the weekend, that it would continue reforms of the yuan exchange rate regime and increase the flexibility of the exchange rate.

International payments were the most important factor determining exchange rates, Yao said, adding that the improved situation of China's international payments at present, especially the large decline of China's trade surplus, provided a good basis for the reform of the yuan exchange rate.

Yao forecast in mid-June that China's trade surplus would likely noticeably fall this year. In the first five months of 2010, China's trade surplus fell 59.9 percent from one year earlier, to 35.39 billion U.S. dollars.

- China's yuan move signals end to crisis-mode exchange rate policy: experts (22<sup>nd</sup> June)

(Xinhua) -- China's announcement that it would allow more flexibility in its yuan exchange rate meant an end to the crisis-mode policy the government took to cushion the blow from the global financial crisis, experts interviewed by Xinhua said Monday.

The People's Bank of China, also known as the central bank, said Saturday that it decided to proceed even further with the reform of the Renminbi exchange rate to add flexibility to the RMB exchange rate.

The decision was made in view of the recent economic situation and financial market developments at home and abroad, as well as due to the balance of payments situation in China, the central bank said. However, it ruled out a one-off revaluation of the yuan as there was no basis for large changes in its value.

Experts noted it was the correct time for the exchange rate policy to return to its normal state, given the consolidated economic recovery, large decline in trade surplus and more balanced international payments.

Zhao Xijun, deputy dean of the School of Finance with the Renmin University of China, said the normalization of China's exchange rate policy would intensify China's economic

connection to the global economy and help promote the country's economic restructuring and adjustments of its development mode.

China moved to a managed floating exchange rate regime in July 2005 which was based on market supply and demand and referencing a basket of currencies. The reform of the RMB exchange rate has made continuous progress since then, producing the anticipated results and playing a positive role.

The financial crisis which broke out in the United States in 2008 shook the global financial markets and dented investment confidence. To counter fallout from the economic turmoil, nations rolled out their crisis-mode measures.

Zhou Xiaochuan, governor of the central bank, said in March that the exchange rate policy China took amid the crisis was part of the government's stimulus packages, and would exit "sooner or later" along with other crisis-measures.

China's economy expanded at 11.9 percent year on year in the first quarter of this year and exports surged 48.5 percent in May, government data showed.

Zhao said China narrowed fluctuation of the RMB exchange rate to stabilize market sentiment and stimulate economic growth amid crisis, which was in the interests of China and contributed to the country's economic recovery.

During the worst of the global crisis, exchange rates of a number of sovereign currencies to the U.S. dollar depreciated by large margins while the yuan kept stable. Against these depreciating currencies, the value of the yuan has been rising.

"Undoubtedly, it improved the trade environment for these countries and helped them through hard times," Zhao said, noting the policy contributed significantly to the Asian and global recovery.

"Narrowing the fluctuation of the yuan's value was the best exchange rate policy China could take during the crisis period, which gave export businesses a stable expectation of the yuan's value and reduced costs caused by a volatile currency," said Xiang Songzuo, Deputy Director of the Center for International Monetary Research at Renmin University of China.

The central bank's move also intended to increase competitiveness of export businesses and accelerate economic restructuring.

Zhao said when the RMB exchange rate regime becomes more market-oriented, China's export businesses should take more responsibilities and become more self-reliant.

The central bank said Sunday that the management and adjustment of the yuan exchange rate would occur gradually, which was necessary to give export businesses time to adjust their business structures and create more jobs in the service sector.

Cao Honghui, senior researcher with the Institute of Finance and Banking under the Chinese Academy of Social Sciences, said the further proceeding meant China would rely more on domestic demands for economic growth, which would push forward adjustments of the global economic structure.

The central parity of the Renminbi against the U.S. dollar remained at 6.8275 Monday, unchanged from the previous trading day, according to the China foreign Exchange Trading System.

- Yuan rises to 5-year high against USD after China pledges more flexible FX regime (22<sup>nd</sup> June)

(Xinhua) -- The yuan rose to its highest level against the U.S. dollar in five years Tuesday after China's central bank vowed to make the currency regime more flexible.

The central parity level for the RMB against the U.S. dollar climbed to 6.7980 Tuesday, 0.43 percent higher than the 6.8275 Monday, the highest since China unpegged the yuan from the U.S. dollar in July 2005, according to the China Foreign Exchange Trading System.

The yuan fell to 8.3816 against the Euro from Monday's 8.4825.

Finance professor at Renmin University Zhao Xijun said the breakthrough reflected the progression of the exchange rate reforms referencing a basket of currencies and based on market demand and supply.

China's central bank announced over the weekend it will push forward reform of the Renminbi exchange rate but ruled out a one-off revaluation.

At Monday's opening, the yuan was unchanged against the U.S. dollar from the previous trading day. But the spot price rose by nearly 0.45 percent, almost hitting its daily limit of 0.5 percent.

By Monday's close, the yuan had risen to 6.7976 to the U.S. dollar on the spot inquiry offer, the highest since July 2005, indicating investors are betting on a stronger yuan.

Tuesday's central parity rate at the opening was close to that level, suggesting authorities considered the market when fixing the price.

Liu Yuhui, a researcher with the Chinese Academy of Social Sciences, said investors are pinning their hopes on a stronger yuan, which may push the yuan to appreciate in the near term.

The central bank reiterated Sunday that it will manage the rate dynamically and adjust the rate so it stays within the daily fluctuation band to avoid big swings and any "overshooting."

Zhao Xijun said speculation can only impact the market in the short-term. In a long-run, it is difficult to predict as the market faces uncertainties. He said he expects the value of the yuan to "move in both directions."

China moved to a managed floating exchange rate regime in July 2005 based on market supply and demand and referencing a basket of currencies.

The reform of the RMB exchange rate has made continuous progress since then, produced the anticipated results and played a positive role, a central bank spokesperson said.

After the global financial crisis worsened in 2008, China narrowed the fluctuations of the RMB exchange rate to stabilize market sentiment and stimulate economic growth amid the crisis.

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

Zhou Xiaochuan, governor of the central bank, said in March the exchange rate policy China took during the crisis was a part of the government's stimulus package that would end "sooner or later" along with the other measures.

China's economy expanded 11.9 percent year on year in the first quarter of the year and exports surged 48.5 percent in May as United States and European Union demand rebounded.

The central bank spokesperson said the gradual recovery of the global economy and an upturn in the Chinese economy consolidated with enhanced economic stability, adding that it is desirable to further proceed with reform of the RMB exchange rate regime and increase RMB exchange rate flexibility.

- China's chemical giant eye's world top spot (22<sup>nd</sup> June)

(Xinhuanet) -- ChemChina is one of the top chemicals producers in China but "aims to be among the best in the world," said Ren Jianxin, president of China National Chemical Corp (ChemChina).

This year the company aims to increase its revenue by 22 percent to 139.5 billion yuan in 2010. It also plans to make profits of 3 billion yuan this year, up 173 percent from a year earlier, said Ren.

The company is already doing very well. It ranks second in the world for its production of methionine, and third for its production of organic silicon.

The company is currently expanding its Xinghuo organic silicon project in Jiangxi province, which is expected to be the world's largest production facility of the material.

Humble beginnings

Today ChemChina ranks 28th in China's top 500 enterprises, and it is 19th in the world's 100 leading chemical companies.

The company was started 26 years ago with loans of only 10,000 yuan. In 1984 Ren founded Bluestar Co to start his industrial cleaning business. Several years later Bluestar dominated China's industrial cleaning industry. In 1995 the company moved its headquarters from Lanzhou to Beijing, and one subsidiary, Bluestar Cleaning, was listed on the Shanghai Stock Exchange.

Since that year Ren began to eye other businesses and in 1996 Bluestar merge with Xinghuo Chemical Co, a manufacturer of organic silicon. Following the purchase of Xinghuo, Bluestar made many other acquisitions on the domestic market and by 2002 the company's total assets increased to 4 billion yuan.

In 2004 Bluestar, together with China Haohua Chemical (Group) Corporation, and some other chemical companies formed ChemChina, the biggest chemical producer in the country.

"We are now focusing on the development of new materials and specialty chemical products," said Ren. "Improvement in technology will play a vital role in achieving this target."

Overseas Development

ChemChina has made a series of overseas acquisitions in the past few years. In 2006 the company acquired French company Adisseo, a firm specializing in producing methionine, vitamins and biological enzymes. In the same year ChemChina bought another French company Rhodia's organic silicon business.

After the acquisitions the company boosted its production of methionine to number two in the world and organic silicon production to the top three.

In 2007 ChemChina signed an agreement with US private equity Blackstone Group, under which the US company will invest up to \$600 million in ChemChina's subsidiary Bluestar for a 20 percent stake.

These acquisitions not only boosted some of ChemChina's business into those with global competency, but also improved the company's technologies a lot, said Ren.

With the acquisitions ChemChina has got many patents with its own intellectual property (IP). The company now ranks among the best in terms of numbers of IP among enterprises owned by China's central government.

(Source: China Daily)

- China expands yuan settlement pilot program (22<sup>nd</sup> June)

(Xinhua) -- China's central bank said Tuesday that the yuan settlement pilot program in foreign trade has been expanded to cover the entire world.

The People's Bank of China (PBOC) said it had expanded where Chinese exporters can use the Renminbi to settle trade from the original Association of Southeast Asian Nations (ASEAN) and Hong Kong and Macao to the rest of the world.

It also added 18 provinces and municipalities to the program, which includes Beijing, Tianjin, Inner Mongolia, Liaoning, Jiangsu, Zhejiang, Fujian, Shandong, Hubei, Guangxi Zhuang Autonomous Region, Hainan, Chongqing, Yunnan, Sichuan, Jilin, Heilongjiang, Tibet and Xinjiang Uygur Autonomous Region.

China introduced the trial program in July 2009. Exporters in Shanghai, and four cities in the manufacturing base of Guangdong Province were the first places where foreign trade could be settled in yuan.

The move is part of the government's efforts to reduce its reliance on the U.S. dollar to avert foreign exchange fluctuations, and also to increase the yuan's international importance.

The total value of yuan-transactions between July 2009 and this May was 44.55 billion yuan (6.5 billion U.S. dollars), according to data released by the PBOC.

The central bank said in an online statement that deals settled in yuan had increased quickly and was the right time to expand the trial.

- China to exempt tariffs on imports from 33 of world's least developed countries (23<sup>rd</sup> June)

(Xinhua) -- China's Ministry of Finance said Wednesday that the country would grant zero tariff status to 4,762 categories of commodities now imported from 33 of the world's least developed countries beginning July 1.

The countries include 26 African countries and seven from other regions. These include Ethiopia, Benin, Burundi, Guinea Ecuatorial, Maldives, Nepal and Bangladesh.

Imports to China, including aquatic products, textiles, farm produce, glass products, steel and minerals from these 33 countries, are to be exempted from tariffs.

Since 2001, China has put 41 of the world's least developed countries on its zero-tariffs list.

- Chinese stocks drop following U.S., European market losses (23<sup>rd</sup> June)

(Xinhua) -- Chinese equities fell 0.92 percent in the morning session on Wednesday, in the wake of declines in the U.S. and European stock market.

The benchmark Shanghai Composite Index was down 0.92 percent, or 23.76 points to 2,564.94 points.

The Shenzhen Component Index fell 1.02 percent to end at 10,239.8 points.

The Dow Jones industrial average dipped Tuesday 146.85, or 1.41 percent, to 10,295.56. The Standard & Poor's 500 index was down 17.87, or 1.61 percent, to 1,095.33 while the Nasdaq declined 27.29, or 1.19 percent, to 2,261.80.

- China's 2009 central fiscal spending on defense at 482.5 bln yuan: minister (23<sup>rd</sup> June)

(Xinhua) -- China's central fiscal spending on national defense stood at 482.5 billion yuan (71 billion U.S. dollars) in 2009, Finance Minister Xie Xuren said on Wednesday.

The country's total central fiscal expenditure exceeded 4.38 trillion yuan, an increase of about 843.1 billion yuan over that of last year, Xie told legislators at the 15th session of the Standing Committee of the 11th National People's Congress (NPC), China's top legislature.

The central government expenditure exceeded revenue last year, resulting in a fiscal deficit of 750 billion yuan, according to Xie.

- China's top legislature conducts inquiry into gov't 2009 accounting (24<sup>th</sup> June)

(Xinhua) -- In effort to enhance its supervisory role, China's top legislature held an inquiry Thursday into the central government's final accounting for 2009, the first-ever inquiry held into a particular matter.

On behalf of the State Council, China's Cabinet, several senior officials from the Ministry of Finance, attended the inquiry to answer questions raised by lawmakers at the 15th session of the Standing Committee of the 11th National People's Congress (NPC), the top legislature.

The lawmakers focused on issues of general public concern such as how to improve the management of central government's budgeting and accounting, deepen the reform of financial and tax systems, and increase spending on social welfare projects.

The decision to order inquiries into government work on certain issues of general public concern, which would require the attendance of senior officials of central government departments, was adopted during the annual NPC session in March.

Li Fei, vice chairman of the Legislative Affairs Commission of the NPC Standing Committee, said the inquiry was a concrete and important step for the NPC Standing Committee to exercise and improve supervision of the government.

According to the Law on Oversight, which took effect in 2007, senior officials of central government departments, the Supreme People's court and the Supreme People's Procuratorate, if requested, are required to attend legislative meetings to respond to lawmakers' questions over bills or government work reports being reviewed.

- China dismisses U.S. accusations of currency undervaluation (24<sup>th</sup> June)

(Xinhua) -- A Chinese government spokesman on Thursday said accusations made in the United States Congress that the yuan was undervalued were groundless and warned Washington against politicizing the currency issue.

"We urge the United States to take a positive and constructive attitude rather than politicize the currency issue," Foreign Ministry spokesman Qin Gang told a regular briefing.

"Imposing pressure and accusations are unjustified and the pursuit of its own interests at the expense of others," Qin said.

Qin's comments came after U.S. Commerce Secretary Gary Locke Wednesday said the Chinese currency remained undervalued when he was questioned by senators, who accused China of keeping the yuan low for a trade advantage.

Locke was the first U.S. cabinet member to directly say the yuan was undervalued since China's central bank on Saturday promised to make the exchange rate more flexible.

Qin attributed the China-U.S. trade imbalance to international industry specialization and U.S. high-tech export controls on China.

"The appreciation of the yuan will neither root out the U.S. trade deficit to China nor solve the low U.S. savings rate or unemployment," Qin said.

Dismissing China's intentions to seek trade surplus with the United States, Qin said China had for years taken positive measures to expand imports from the United States and generated significant results.

- China's top political advisor urges transformation of economic growth mode (25<sup>th</sup> June)

(Xinhua) -- China's top political advisor Jia Qinglin said Friday that accelerating the transformation of economic growth mode was an important strategic task for China's social and economic development.

Jia, chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), made the remarks at the four-day 10th session of the Standing Committee of 11th CPPCC National Committee, which closed Friday morning.

He called for more efforts to expand domestic demand and re-adjust income distribution to foster a pattern of economic growth jointly driven by domestic demand, investment and exports.

Greater efforts must also be paid to re-adjusting industrial patterns, enhancing China's innovation capacity, boosting urbanization, saving energy, and reducing emissions, he said.

During the session, Standing Committee members held discussions over the drawing of China's next five-year plan for social and economic development, and offered advice to senior officials from more than 30 central ministries or commissions.

Jia urged all CPPCC members to contribute to the making of the five-year plan with valuable proposals on key issues.

He also called on CPPCC members and organizations at all levels to conduct surveys so as to offer solutions to major problems of the ongoing health-care reform at a lecture held by the CPPCC Standing Committee.

- Chinese vice premier calls for efforts to step up urbanization (25<sup>th</sup> June)

(Xinhua) -- Chinese Vice Premier Li Keqiang called for more efforts to accelerate China's urbanization Thursday, as part of the government's efforts to promote economic restructuring and expand domestic demand during this process.

Li made the remarks at a training course in Shanghai, saying China's urbanization, which still has much room for expansion, is China's largest source of domestic demand as well as the largest potential driver for development.

Further, urbanization would bolster domestic demand, improve people's livelihoods and solve rural problems, Li said.

Li noted that China would coordinate development among cities and towns, and step up development of cities in China's central and western regions, while prioritizing development in eastern cities.

Li demanded more efforts to solve issues for rural workers including settlement, education for children, housing and social security during the urbanization process.

To steadily push forward urbanization in China is an urgent job at present and also a long-term task, Li added.

The government said in March that China's rapid urbanization would continue for 15 to 20 years and China would become an urban society in five to six years, with the urbanization rate reaching or exceeding 50 percent.

## **Social front**

- China's top legislature adopts law on protection of oil pipelines (25<sup>th</sup> June)  
(Xinhua) -- China's top legislature Friday endorsed a law on the protection of oil and natural gas pipelines and the amended Administrative Supervision Law, among others, at its bimonthly session.

A report on the 2009 central budget submitted by the State Council, or Cabinet, was also approved by lawmakers at the 15th session of the Standing Committee of the 11th National People's Congress (NPC).

- China's highest court publishes rule banning torture confessions (25<sup>th</sup> June)  
(Xinhua) -- China's highest court has published details of a regulation banning the admission of confessions obtained through torture in criminal trials.

The rule comes after a man who was wrongly jailed for murder was released last month when the victim turned up alive and well 10 years later.

It is one of the two regulations issued by the Supreme People's Court Thursday to prevent further miscarriages of justice and tighten the conviction criteria in capital cases.

The regulations focus on corroboration of physical evidence and human testimony in death penalty cases.

The regulation on principles and detailed rules for scrutinizing evidence in death penalty cases states that all physical evidence for the prosecution and defense should be revealed, identified and open to question in court.

Every item of evidence should be verified through legal procedures.

The other regulation sets out detailed procedures for examining evidence and stipulates that confessions obtained through torture and other violent measures from a defendant are inadmissible.

The rules were released by five ministries and judicial organs at the end of May, following the case of a "killer" wrongfully jailed for a murder that never occurred.

Zhao Zuohai was acquitted after serving 10 years in jail for murder in Central Henan Province after the "victim," Zhao Zhenshang, reappeared alive.

Three former police officers were arrested for allegedly torturing Zhao Zuohai into confessing to a crime that never happened.

"Judicial practice in recent years shows that slack and improper methods have been used to gather, examine and exclude evidence in various cases, especially those involving the death penalty," said a statement jointly released by the Supreme People's Court, the Supreme People's Procuratorate, the Ministry of Public Security, the Ministry of State Security and the Ministry of Justice.

(Source: China Daily)

## **Ethnic issues**

### **Environmental front**

- Chinese vice premier urges more efforts be made on flood control during "crucial period" (24<sup>th</sup> June)

(Xinhua) -- Chinese Vice Premier Hui Liangyu Thursday urged more efforts be made on flood control efforts, as the country had reached a "crucial and urgent period" for such tasks.

Hui made his remarks during a videophone conference, noting that China was "facing a severe situation at present and in a certain period in the future".

Hui warned of risks of flooding and landslides as water levels in many rivers in south China had risen above the danger level following the recent torrential rains.

Hui also asked local authorities to put public safety as a top priority and try to keep property damage to a minimum.

Local authorities should strengthen monitoring, forecasting and warnings of typhoons, floods and rainstorms, Hui said, adding more efforts were needed to prevent the further rupturing of dikes and reservoirs.

Hui also called for more efforts to relocate people living in at-risk regions. Also, more attention was required to ensure public safety is maintained in schools and hospitals.

Further, Hui ordered local authorities to send relief materials to flood victims to make sure they have proper access to food, drinking water, clothing, accommodation and medical care.

Further, more efforts should be given to post-disaster reconstruction, Hui added.

China's National Meteorological Center said that torrential rains are expected to continue to pound the country's southern regions over the next three days.

As of Wednesday, floods in south China had left 211 people dead and 119 others missing, the Ministry of Civil Affairs said.

- Chinese enterprises strive for green development: official (24<sup>th</sup> June)

(Xinhua) -- Chinese enterprises have made great efforts to promote green development and become more economical and environment-friendly, a Chinese official said here Wednesday.

Wang Zhongyu, president of China Enterprise Confederation, made the remarks in his address to the UN Global Compact Leaders Summit 2010, which was held under the theme of "building a new era of sustainability."

"Chinese enterprises have made enormous efforts to promote technological innovation, clean production, green development and recycling economy, strived to build economical and environment-friendly enterprises," he said.

These enterprises have also constantly focused on product quality, production safety, and protection of the rights and interests of the workers and consumers. That has greatly

contributed to China's economic and social development, added Wang, who is also president of the China Entrepreneurs Association.

He said during the first four years of the "Eleventh Five-Year Plan" (2006-2010), China's cumulative energy consumption per unit of GDP fell by 14.38 percent, while chemical oxygen demand and sulfur dioxide emissions dropped by 9.66 percent and 13.14 percent, respectively.

"China has made remarkable achievements in economic development and social progress since it adopted the reform and opening-up policy 30 years ago," he said.

"However, we also clearly aware of the fact that China still has a long way to go...And it remains an arduous task to promote a balanced economic and social development."

Launched in July 2000, the Global Compact is a principle-based UN initiative which serves as both a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices.

"As the largest business association in China, the China Enterprise Confederation was the first national employers' organization in the world to support the UN Global Compact," Wang said.

"In 2001, we established the first national network of the Global Compact. We have also set up a special office for the promotion of the Global Compact."

At present, 213 Chinese enterprises and organizations have joined the Global Compact, while more enterprises have incorporated into their development strategies the principles of the Global Compact and turned them into their management philosophy and practice.

### **Cyber/Technology Front**

- China, Singapore cooperate to launch literary website (21<sup>st</sup> June)

(Xinhua) -- Chinese language websites from China and Singapore signed here a strategic collaboration agreement to launch a literary website to promote online Chinese literature on Monday.

The agreement was signed between Zaobao.com, the online version of Lianhe Zaobao, the leading Chinese daily in Singapore, and Shanda Literature Singapore(SDL), the leader of China's online literature.

The literary site will allow Singaporean readers to have free access into Shanda's online Chinese literature.

Zheng Wei, Online Editor of Lianhe Zaobao, said, "We are happy to partner SDL, the leader in China's original literature and copyrights operator. SDL has a competitive advantage in terms of business model, content and users. As for Zaobao.com, we have a wide audience reach and strong influence among Chinese readers in Singapore, Southeast Asia and the world. With this partnership, both companies will enjoy a boost in their business development."

SDL owns more than 90 percent of the resources in the literary field. SDL has already accumulated copyrights to more than 50 billion words of original Chinese literature including classics, novels and other e-books.

- Chinese soldiers banned from opening blogs on Internet (26<sup>th</sup> June)

(Xinhua) -- Chinese servicemen are banned from opening blogs on the Internet for confidentiality concern, according to revised regulations of the People's Liberation Army (PLA).

The revised PLA Internal Administration Regulations, which came into force on June 15, prohibited soldiers from creating website, homepage, or blog on the Internet, according to Saturday's Beijing News.

"It means soldiers cannot open blogs on the Internet no matter he or she does it in the capacity of a soldier or not," Wan Long, the political commissar of a regiment in the Guangzhou Military Area Command, was quoted by the PLA Daily as saying.

"The Internet is complicated and we should guard against online traps," he said.

The revised regulations also banned soldiers from issuing "longly hearts" and job hunting advertisements on mass media.

"If information of military officers and their unit aroused attention of people with ulterior motives, it'll pose threat to confidentiality of the armed forces," Yang Jigui, commander of the Xigaze military sub-command in Tibet Autonomous Region, was quoted as saying.

## **Regional report**

### **North**

**Politics**

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#### **Northwest**

**Politics**

**Social front**

**Economic front**

#### **Northeast**

**Politics**

**Social front**

**Economic front**

- Chinese Tianjin industrial zone wooes Russian investors (23<sup>rd</sup> June)

(Xinhua) -- A special promotion for Tianjin Nangang Industrial Zone of China was held here Tuesday during the 13th International Exhibition For Equipment And Technologies For Oil and Gas Industry.

At the promotion, Chinese representatives introduced the economic prospects of the Bohai Economic Rim with the city of Tianjin taking the lead, in particular, the infrastructure and industrial distribution of the Nangang Industrial Zone.

Wang Junming, President of the Nangang Industrial Development Co. Ltd, said the industrial zone would primarily develop petroleum, petrochemical and equipment manufacturing industries, " in which Russia has remarkable competitive advantages."

Wang also told Xinhua that Russian petroleum, petrochemical and relevant equipment manufacturing companies would find their own development space at Nangang because of policy support from both governments.

Sergei Sanakoev, head of Russia-China Center of Trade and Economic Collaboration, told Xinhua that it was of extreme attraction for Russian and Chinese enterprises to engage in petroleum and petrochemical cooperation at Nangang Industrial Zone.

According to Sanakoev, a joint venture set up by Russian oil company Rosneft and China National Petroleum Corporation has chosen Nangang to develop cooperative projects.

"In my opinion, after them, more companies from oil refinery and petrochemical industry will go (to Nangang) too," he said.

The five-day exhibition that opened on Monday has drawn 36 enterprises from countries including Russia, China, the United States, Germany and Japan.

The exhibition is organized every two years in Moscow to provide a platform for exchanges of latest technology and equipment in the gas and oil exploration fields. Besides, international seminars will also be held on the energy efficiency, safety and creative development.

## **Southwest**

**Politics**

**Social front**

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## **South central**

**Politics**

**Social front**

**Economic front**

## **East**

**Politics**

**Social front**

- China police chief calls for humane rehabilitation of drug users (26<sup>th</sup> June)  
(Xinhua) -- China's police chief has urged the country's rehabilitation professionals and staff to provide excellent medical care for drug users and develop effective and humane methods to help free them from the use of drugs.

Minister of Public Security Meng Jianzhu made the remarks Friday during his visit to the city of Ningbo in eastern Zhejiang Province to inspect local drug rehabilitation work.

"To successfully transform a drug user is to save a family and contribute to social harmony. We should explore effective and humane methods to help them stop using drugs and return to society for a better life," Meng said while visiting a district drug rehab center.

Meng expressed his gratitude to all community workers and volunteers for their contribution to the country's anti-drug fight and told them to provide excellent medical care for drug users, including specialized treatments.

"Drug rehab is a very long, arduous and complicated process. You must overcome all difficulties with confidence and firm belief in order to give up drugs and be happy and healthy..." Meng told patients at the drug rehabilitation center.

Meng expressed the hope that these patients would teach more people to cherish life and stay away from drugs after they returned to society.

On Saturday, a local court in southeast China's Fujian Province announced the executions of two drug dealers who were convicted of selling and trafficking 12,242 grams of heroin. Saturday is the International Day Against Drug Abuse and Illicit Trafficking.

## **Economic front**

- In bid to boost food security, China's agricultural guru vows to finish work on new hybrid rice in 2012 (20<sup>th</sup> June)

(Xinhua) -- Yuan Longping, known as the "father of hybrid rice", said on Sunday that his team was working on a new version of high-yield hybrid rice and might complete it in 2012.

Yuan, director of the National Hybrid Rice Engineering Technology Research Center and a faculty member of the Chinese Academy of Engineering, made the remarks at the World Expo's third theme forum, which opened on Sunday in Wuxi, in east China's Jiangsu Province.

The new hybrid, the phase-III super hybrid rice, was expected to yield 13.5 tonnes of rice per hectare, Yuan said.

The previous hybrid, the second-generation super hybrid, was released for commercial production in 2006, yielding 9 tonnes of rice per hectare, on average

Rice is a major food crop that feeds more than half of the world's population, Yuan said.

China is now planting 440 million mu (29 million hectares) of rice per year, with an average output capacity of 6.3 tonnes per hectare.

Among the acreage, hybrid rice accounts for about 57 percent of the total, with an average output capacity of 7.2 tonnes per hectare.

"The average yield of hybrid rice is at least 20 percent more than that of inbred rice, feeding 70 million more people annually," Yuan said.

China is faced with a challenging grain situation this summer because of strong rainfalls in the south during the summer harvest season. Other problems include droughts in northern grain production areas and lingering low temperatures in the south.

According to the Ministry of Agriculture, China needs to maintain an annual grain output of 500 million tonnes to feed the nation's 1.3 billion people.

China's summer grain output rose six years in a row to top 123.35 million tonnes in 2009, which was 2.6 million tonnes more than the previous year.

"Hybrid rice will play a key role in ensuring food security worldwide in the new century," Yuan said.

"If 50 percent of the world's rice paddies were planted with hybrids, rice production could be increased by another 150 million tonnes, and 400 to 500 million more people could be fed," he said.

Yuan believes food security is "a war people can not afford to lose" .

"The global economic downturn will always end, but food security is the problem we have to face every second," Yuan said.

Statistics from the United Nations showed about 1 billion people were suffering from hunger and malnutrition and every six seconds saw a child dying of hunger or related diseases.

With the theme "science & technology innovation and urban future", the two-day forum focuses on innovations in science and technology.

The previous two theme forums of the World Expo centered on communications and cultural heritages.

Yuan started working on hybrid rice in 1964.

"I often drive my car to go to rice paddies to do research," said the 80-year-old, "The only difference is that when I was young, I rode a bicycle or motorcycle ...you could attribute it to improving life."

Hybrid rice has also been commercialized in other countries, including India, Vietnam, the Philippines, Bangladesh and the United States.

"For the benefits of the world' s people, we are well prepared to help other countries develop hybrid rice," he said.

- Chinese Premier stresses cool heads needed in face of complicated situation (26<sup>th</sup> June)

(Xinhua) -- The Chinese Premier Wen Jiabao has warned local authorities to keep a sober mind in the face of the complicated economic situation, even though the economic recovery has strengthened over the last six months.

Wen made the remarks during his two-day visit to Hangzhou, the capital city of east China's Zhejiang Province, which concluded on Saturday.

He asked local officials to step up efforts to a keep close watch on the economy's development and find new problems quickly.

During discussions with local authorities of the eastern provinces of Zhejiang, Jiangsu and the Shanghai municipality, Wen said the Yangtze River Delta, where the three regions are situated, should take the lead in choosing a development path featuring scientific nature, harmony, and integration.

"The Yangtze River Delta holds an important position in the country's national economy, it is necessary for the delta to strive to foster new edges and score breakthroughs in order to make new, greater contributions to the country's economic and social progress," said Wen.

While urging efforts in fully implementing the legions of measures and policies worked out by the central government to step up and improve macro control and in advancing good and fast growth in economic and social development, Wen reiterated that the Yangtze River Delta should also work harder to speed up transfer in the mode for economic development.

He also asked Jiangsu, Zhejiang and Shanghai to seize favorable chances brought along by the recent approval of the State Council, China's Cabinet, regarding the regional development blueprint calculated to bolster growth of the Yangtze River Delta in the forthcoming five years, and concentrate efforts on improving industrial structure and advancing integration in constructing major infrastructure projects, so as to expediate formation of an effective system for sustainable development.

Wen stressed that it was imperative for local governments to work out effective measures to promote harmony between workers and businesses amid rising calls for wage increases.

During his inspection to a local garment-making factory in Hangzhou, Wen encouraged the enterprise administrators to promote innovation and cut costs to make the products more competitive in more markets.

When he visited Alibaba.com, a leading Chinese E-commerce company also based in Hangzhou, Wen emphasized integrity should always be the basis of business activity.

- E China's Jiangsu exports more textiles, clothing (26<sup>th</sup> June)

(Xinhua) -- East China's Jiangsu Province exported 880 million U.S. dollars worth of textiles, clothing and accessories in the first five months, a growth of 27.2 percent on the same period of last year, according to the provincial customs.

Monthly exports for May were the highest since the beginning of last year at 220 million U.S. dollars, up 52.9 percent year on year, or 17.8 percent month on month.

From January to May, the province sold 150 million U.S. dollars worth of textiles, clothing and accessories to the United States, up 34.9 percent, 140 million dollars worth to the European Union, about the same as the first five months last year, and 120 million dollars worth to Japan, down 1.7 percent.

## **HONGKONG AND MACAU**

### **Politics**

- Passage of political reform package milestone in HK's democratic development: Chief Executive (25<sup>th</sup> June)

(Xinhua) -- Hong Kong's Chief Executive (CE) Donald Tsang said on Friday the passage of 2012 constitutional reform package lays down a milestone in the city's democratic development, which will not only improve the city's electoral system, but also lays a solid foundation for the community to pursue detailed arrangements for universal suffrage according to the established timetable.

Speaking to reporters following the passage, Tsang said it is a valuable experience for the government, political parties and the community in the implementation of the Basic Law, adding it has fostered trust, communication and tolerance in the community.

Thanking people who have worked selflessly for greater democracy for Hong Kong, Tsang said history will give them the fair and positive judgment they deserve.

It will be unrealistic to expect political reform to be painless in a pluralistic society like Hong Kong, he said, and however, history will prove the reform today is a decisive step in the right direction.

"The vote today is both an end and a beginning. Hong Kong will no longer be the same. More and more people will join us on this journey to democracy and to the promised land of universal suffrage. With growing strength and confidence, we will overcome each and every challenge coming our way," he added.

The constitutional reform package refers to the proposals on the methods of selecting the CE and on forming the Legislative Council in 2012, which was announced by the Hong Kong Special Administrative Region government on April 14 this year.

Earlier on Friday, HK's 60-member LegCo passed the amendment to the method for forming the LegCo in 2012 on a 46-12 vote. On Thursday, it had passed the electoral method for selecting HK's Chief Executive in 2012 on a 46-13 vote.

The two methods will take effect after receiving the consent of Tsang himself and being reported to the Standing Committee of the National People's Congress for approval.

- Central gov't welcomes HK amendment to 2012 electoral method (25<sup>th</sup> June)  
(Xinhua) -- China's central government welcomed the passing of the amendment to the method for selecting Hong Kong's Chief Executive and forming the Legislative Council in 2012, the Hong Kong and Macao Affairs Office of the State Council said Friday in a statement.

"The central government stands firm on promoting the democratic development of Hong Kong's political system in line with the Basic Law and the decision by the Standing Committee of the National People's Congress(NPC)," the statement said.

Hong Kong's 60-member Legislative Council passed the first part of the amendment to the method for the selection of Chief Executive in 2012 on Thursday and then the second part of the amendment to the method for forming the Legislative Council in 2012 on Friday, both by a two-thirds majority.

According to the amendment, the number of the Election Committee to elect the fourth term Chief Executive in 2012 should be increased from 800 to 1,200, while candidates for the office of HK Chief Executive should be jointly nominated by no less than 150 members of the Election Committee.

The amendment should be submitted to the NPC Standing Committee for approval before it takes effect as required by the Basic Law, the statement said.

"It is sincerely hoped that the Hong Kong SAR government, along with all circles of the society, will boost economic development, improve people's livelihoods and increase democracy, and make joint efforts to ensure the region's long-term stability and prosperity," the statement said.

- HK lawmakers OK amendment to method for forming HK's LegCo (25<sup>th</sup> June)  
(Xinhua) -- Hong Kong's 60-member Legislative Council (LegCo) Friday afternoon voted for the amendment to the method for forming the LegCo in 2012 by a two-thirds majority.

The vote was 46 in favor, while 12 opposed. Lawmaker Jasper Tsang did not vote since he is LegCo president, plus one lawmaker was ejected from the meeting room.

The approval marked the passage of HK's constitutional reform package in 2012, which also included the method of selecting the Chief Executive (CE) in 2012. Earlier on Thursday, the electoral method for selecting HK's CE in 2012 was passed on a 46-13 vote. According to the amendment to method for forming the LegCo in 2012, the fifth term Legislative Council in the year 2012 shall be composed of 70 members, the number of seats should be increased from 60 to 70.

Of the new 10 seats, five will go to geographical constituencies through direct elections while the other five to functional constituencies.

The amendment was announced by the HKSAR government and illustrated by Chief Secretary Henry Tang at the LegCo meeting on April 14 this year. After that, some HK political organizations and persons had proposed the five new LegCo seats of functional constituencies in 2012 should be on a "1-person-2-votes" method.

On June 21, HK's Chief Executive Donald Tsang said his Executive Council had given approval in principle to accept the "one-person-two-votes" proposal for returning the five new functional constituencies seats in 2012.

The HKSAR Executive Council said the five new functional constituencies seats in 2012 would be nominated by elected District Council members, for election on a 1-person-1-vote basis, by about 3.2 million HK voters who currently do not have a right to vote in functional constituencies.

Under the "one-person-two-votes" proposal, HK's 3.43 million voters will all have two votes in the 2012 LegCo elections -- one for geographical constituencies and the other for functional constituencies.

The government will put forward proposals regarding the specific electoral arrangements for the five new functional constituencies seats after consulting with the LegCo and the public sometime in the autumn, Tsang said.

The Basic Law and the decision by the Standing Committee of the National People's Congress (NPCSC) in December 2007 provide that the methods of selecting the HK's Chief Executive and on forming the LegCo in 2012 may be revised in accordance with the principle of gradual and orderly progress.

The two methods will take effect after receiving the consent of HK Chief Executive Donald Tsang and being reported to the NPCSC for approval.

According to the Amendment to the Method for the Selection of the CE passed on Thursday, the number of the Election Committee to elect the fourth term CE in 2012 shall be increased from 800 to 1,200.

The composition of the 1,200-member committee shall be divided evenly into four sectors -- Industrial, commercial and financial sectors; the professions; labor, social services, religious and other sectors; as well as members of the Legislative Council, representatives of members of the District Councils, representatives of the Heung Yee Kuk, Hong Kong deputies to the National People's Congress, and HK's representatives of the Chinese People's Political Consultative Conference.

Candidates for the office of HK CE should be jointly nominated by no less than 150 members of the Election Committee.

The two methods will take effect after receiving the consent of HK Chief Executive Donald Tsang and being reported to the NPCSC for approval.

- Backgrounder: HKSAR's constitutional reform package in 2012 (25<sup>th</sup> June)

(Xinhua) -- HK's constitutional reform package in 2012 refers to the methods of selecting the Chief Executive (CE) and on forming the Legislative Council (LegCo) in 2012, which was announced by the HKSAR government on April 14 this year.

According to the Basic Law and the decision by the Standing Committee of the National People's Congress (NPCSC) in December 2007, HK's CE and LegCo in 2012 won't be produced by universal suffrage, but appropriate amendments conforming to the principle of gradual and orderly progress may be made to the two electoral methods.

Based on the NPCSC decision, the HKSAR government released the Consultation Document on the Methods for Selecting the CE and for Forming the LegCo in 2012 on November 18, 2009.

Following it was a three-month public consultation by the city's government to widely collect opinions from different political groups as well as social communities and individuals.

During the period, the city's government had received more than 47,200 submissions and over 1.6 million signatures.

On April 14, 2010, the government published the Package of Proposals for the Methods for Selecting the CE and for Forming the LegCo in 2012 after carefully analyzing the views received.

## **Social front**

- Over 116,000 inoculated against A/H1N1 in Macao (22<sup>nd</sup> June)  
(Xinhua) -- A total of 116,252 people in Macao have been inoculated with the A/H1N1 vaccine so far, Macao's Health Bureau said on Monday.  
The Bureau recorded two cases of A/H1N1 flu in the past one week, bringing the total number of such cases to 3,619 since June 18, 2009, of which two patients died.  
Previously, the Macao region government has announced that it has purchased some 700,000 doses of A/H1N1 vaccines, and local medical staff, children, old people and patients with chronic disease were among the group of local people who were firstly inoculated with these vaccines.  
Meanwhile, there was no A/H1N1 patient admitted into local hospitals between June 15 and 21, according to the Bureau.

## **Economic front**

- RMB business expansion reinforces Hong Kong as international financial center: official (22<sup>nd</sup> June)  
(Xinhua) -- Renminbi (RMB) business in Hong Kong is of strategic importance to both China's mainland and Hong Kong, and the expansion of RMB business will help reinforce Hong Kong's position as an international financial center, said Hong Kong's Secretary for Financial Services and the Treasury in London on Monday.  
Speaking on "Hong Kong - Gateway to the China Opportunity" at the Chatham House Seminar, K C Chan said China had started encouraging the use of RMB overseas and further expansion of RMB business in Hong Kong was expected.  
He highlighted a significant milestone in the further development of RMB business in Hong Kong - the launch of the RMB trade settlement pilot scheme in July 2009.  
He said the scheme would ultimately help develop Hong Kong into a major offshore center for RMB and Hong Kong was working closely with relevant mainland authorities to explore ways to expand its depth and breadth.  
Looking into the future, Chan pointed out that Hong Kong would need a greater selection of RMB investment products.  
He believed that the availability of more RMB products would attract a larger variety of market participants and help create the right conditions to increase RMB liquidity in Hong Kong, and this would facilitate Hong Kong to develop into a testing ground and international financial center in RMB business.  
Also on Monday, Chan and the United Kingdom (UK) Exchequer Secretary to the Treasury, David Gauke, signed a comprehensive agreement for the avoidance of double taxation (CDTA) between the Hong Kong Special Administrative Region and the UK.  
The agreement is the 12th CDTA Hong Kong signed with its trading partners and sets out clearly the allocation of taxing rights between the two jurisdictions and the relief on tax rates on different types of passive income.  
It will help investors better assess their potential tax liabilities from cross-border economic activities, foster closer economic and trade links between the two places, and

provide added incentives for companies in the UK to do business or invest in Hong Kong, and vice versa.

- Hong Kong, Ireland sign tax pact (23<sup>rd</sup> June)

(Xinhua) -- Hong Kong signed its 13th comprehensive agreement for the avoidance of double taxation (CDTA) with Ireland on Tuesday, said the government in a press release on Wednesday.

Hong Kong's Secretary for Financial Services and the Treasury, K C Chan, signed the agreement with Ireland in Dublin for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income.

The Irish Minister of Finance, Brian Lenihan, signed on behalf of his government.

Chan said: "The agreement will encourage Hong Kong enterprises to leverage on the success of Irish companies in the areas of technology, research and development, while facilitating Irish enterprises to tap into the Asian market, particularly the vast Mainland market, using Hong Kong as a gateway."

Hong Kong is actively seeking to establish a network of CDAs with major trading and investment partners, and has concluded CDAs with partners including Belgium, Thailand, Vietnam and the United Kingdom.

- HK overall consumer prices rise 2.5% in May (23<sup>rd</sup> June)

(Xinhua) -- Hong Kong's overall consumer prices rose by 2.5 percent in May over the same month a year earlier, slightly higher than the 2.4 percent year-on-year increase in April, the city's Census and Statistics Department announced Tuesday.

Netting out the effects of all government's one-off relief measures, the year-on-year rate of increase in the Composite CPI ( i.e. the underlying inflation rate) in May 2010 was 1.4 percent, also slightly larger than that of April (1.3 percent), mainly due to the enlarged increases in private housing rentals and costs for meals bought away from home.

Amongst the various CPI components, year-on-year increases in prices were recorded in May for electricity, gas and water, mainly because some households had used up the full amount of government's one-off electricity charge subsidy.

Meanwhile, year-on-year decline in price was recorded in the month for durable goods.

On a seasonally adjusted basis, the average monthly rate of change in the Composite CPI for the three-month period from March to May was 0.1 percent, compared to 0.3 percent for the three- month period from February to April.

A government spokesman said the underlying consumer price inflation rate remained moderate in May on a year-on-year basis and the strengthening of the Hong Kong dollar alongside the U.S. dollar, as well as the retreat in global food and fuel prices, provided some buffer for containing the overall local price pressure.

The spokesman predicted that inflation rate on a year-on-year basis may go up in the coming months with a relatively lower base of comparison in the same period last year.

- Macao's inflation rate still "acceptable": economic chief (23<sup>rd</sup> June)

(Xinhua) -- Although local CPI kept increasing in the past few months, Macao's inflation rate is still " acceptable", and the Special Administrative Region (SAR) government will

closely follow the inflation development, according to a press statement released on Tuesday by the SAR government, quoting words from the SAR's economic chief.

Macao's Composite CPI (consumer price index) for May 2010 increased by 2.76 percent year-on-year to 104.06, which was attributable to the price increase of Food and non-alcoholic beverages and Transport, according to the latest figures from the SAR's Statistics and Census Service (DSEC).

Local people are understandably worried about the increasing inflation rate, but the SAR government has been monitoring the situation and once inflation affects local residents' life, the government will adopt relevant measures to help ease the negative impact, the press released quoted Tam Pak Yuen, the SAR's secretary for economy and finance, as saying.

Tam was currently paying his official visit to Portugal.

The SAR's average Composite CPI for the 12 months ended May 2010 rose by 0.83 percent from the preceding period, which, Tam said, is acceptable.

However, he also said that Macao's imported inflation is a common phenomenon, given the fact that the SAR's is an export- oriented economy.

Local inflation rate has remained stable at the end of last year, as that for December 2009 standing at as low as 0.75 percent, but the inflation ran at over 2.5 percent respectively in February, April and May this year, according to the DSEC.

The SAR's Chief Executive Chui Sai On said that once the inflation rate reaches three percent, the SAR government will adopt a series of specific measures to ensure the life quality of the local residents, especially the disadvantaged group.

- HK records 25 billion HK dollars in trade deficit in May (24<sup>th</sup> June)

(Xinhua) -- A visible trade deficit of 25.1 billion HK dollars was recorded in May, with the values of total exports and imports of goods both showing significant year-on-year increases at 24.4 percent and 29.7 percent, Hong Kong's Census and Statistics Department said Thursday.

Vibrant regional trade in Asia and the prevailing global recovery should continue to provide support to Hong Kong's external trade performance, said the department. However, the adverse effect on global trade flows from a possibly slower recovery in Europe due to the sovereign debt problem may begin to emerge in the latter part of the year.

For the first five months of the year, the value of total exports of goods rose 24.7 percent over the same period last year, while the value of imports increased 32.1 percent. A visible trade deficit of 148.6 billion HK dollars, equivalent to 11.6 percent of the value of imports of goods, was recorded.